



# Alibaba Pictures Group Limited 阿里巴巴影业集团有限公司

(Incorporated in Bermuda with limited liability)  
(Stock Code: 1060)

## TERMS OF REFERENCE OF AUDIT COMMITTEE

### Membership

1. The audit committee (the “Committee”) should be established by the board (the “Board”) of directors (the “Director(s)”) of Alibaba Pictures Group Limited (the “Company”, together with its subsidiaries, the “Group”) and should comprise a minimum of three members who must be non-executive Directors with a majority of independent non-executive Directors who meet the independence requirements as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). At least one of the members is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.
2. The Committee must be chaired by an independent non-executive Director within the Committee and appointed by the Board.
3. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in that firm, whichever is later.
4. The company secretary of the Company or his/her representative (in his/her absence) should act as the secretary of the Committee.
5. The Directors agree to serve as a member of the Committee only if they believe they can devote sufficient time and make contributions to the Company that are commensurate with their role and responsibilities.

## **Proceedings of Meetings**

6. The Committee meetings should be held at least twice a year. Any member or the secretary of the Committee may call for a meeting anytime when it is necessary.
7. A quorum of a meeting of the Committee should be two members of the Committee, one of whom must be an independent non-executive Director.
8. The Committee may invite (a) senior management of the Company and/or any other Directors to attend the Committee meetings and/or (b) any other persons, including external auditors and other external third parties, whose attendance may be of assistance to the performance of the duties of the Committee, provided that they are subject to confidentiality obligations.
9. Resolutions of the Committee should be passed, in the case of a meeting, by more than half of the members of the Committee attending such meeting.
10. Unless otherwise waived or agreed by all the members of the Committee, notice should be given for a meeting of the Committee not less than five days before the meeting. Notwithstanding the notification period, the attendance of the members of the Committee at the meeting would be deemed as the waiver by those members of the required notification requirement.
11. The agenda and accompanying supporting papers (if any) should be sent to all members of the Committee and to other attendees (as appropriate) at least three days before the date of the Committee meeting (or such other period as the members may agree).
12. The meetings and proceedings of the Committee are governed by the provisions of the Bye-Laws of the Company (as amended from time to time) for regulating the meetings and proceedings of the Board, so far as the same are applicable.
13. Draft and final versions of the minutes of the Committee meetings should be sent to all members of the Committee for their comments and records within a reasonable time after the Committee meeting. Full minutes shall be kept by the company secretary of the Company and shall be open for inspection at any reasonable time on reasonable notice by any Director.

## Responsibilities and Duties

14. Duties of the Committee should include the following:

### Relationship with the Company's external auditors

- (a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and to 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 the external auditors 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

- (e) to monitor integrity of the Company's financial statements, annual report and accounts and half-year report 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, regulatory and legal requirements in relation to financial reporting;

- (f) Regarding (e) 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 auditors; 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 the external auditors;

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

- (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 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) where an internal audit function exists, to review and monitor the effectiveness of the internal audit function and 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 review the Group's financial and accounting policies and practices;
- (l) to review the external auditors' management letter, any material queries raised by the auditors to management about the accounting records, financial accounts or systems of control and management's response;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

- (n) to act as the key representative body for overseeing the Company's relations with the external auditors;

#### Others

- (o) to review arrangements that employees of the Company and those who deal with the Company (e.g. customers and suppliers) can use to raise concerns, in confidence and anonymity, with the Committee about possible improprieties in financial reporting, internal control or any other matters related to the Company and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (p) to report to the Board on the above matters; and
- (q) to consider other topics, as defined by the Board.

#### **Reporting Procedures**

15. The Committee should report to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

#### **General Meetings**

16. The chairperson, or the other member (in his/her absence), of the Committee (who must be an independent non-executive Director) should attend the general meetings of the Company, and be ready to respond to the questions and enquiries in relation to the work of the Committee raised by the shareholders of the Company at the general meetings.

## **Authority**

17. The Committee is authorised to seek any information from the management of the Company for the performance of its duties.
18. The Committee should have access to independent professional advice at the expense of the Company if necessary to perform the responsibilities of the Committee. Arrangement to seek independent professional advice can be made through the company secretary of the Company.
19. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee may arrange for the Corporate Governance Report to include an explanation of the Committee's recommendation and the reason(s) why the Board has taken a different view.
20. The Committee should be provided with sufficient resources for the performance of its duties.

## **Publication of the Terms of Reference**

21. The Committee should make available these terms of reference, explaining its role and the authority delegated to it by the Board, by including them on the websites of The Stock Exchange of Hong Kong Limited and the Company.

*Note:* This document is in English and Chinese. In case of any inconsistency, the English version shall prevail.

7 December 2022