



# PROSTEN TECHNOLOGY HOLDINGS LIMITED

長達科技控股有限公司\*

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

**(Stock Code: 8026)**

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE (THE “COMMITTEE”)

*(Amended and re-adopted by the Board, effective from 1 January 2016)*

### 1. Membership

- 1.1 The Committee shall be established by the board (“Board”) of directors (“Directors”) of the Company and must consist of a minimum of three members (the “Members”).
- 1.2 Membership shall be confined to non-executive Directors, the majority of which must be independent non-executive Directors (“INEDs”) and at least one INED with appropriate professional qualifications or accounting or related financial management expertise.
- 1.3 The chairman of the Committee shall be appointed by the Board and must be an INED.
- 1.4 Any appointment of a former partner of the Company’s existing audit firm shall comply with the requirements of the GEM Listing Rules in force from time to time.

### 2. Secretary

- 2.1 The company secretary shall be the secretary of the Committee.
- 2.2 The Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Committee.

### 3. Meetings

- 3.1 The Committee shall hold at least four regular meetings in a year to review and discuss the interim, quarterly and annual financial statements of the Company. The Company’s external auditors may request that a meeting be held if they consider it necessary.

\* *For identification purpose only*

- 3.2 Notice of any meetings has to be given at least 7 days prior to any such meeting being held, unless all Members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Member shall be deemed waiver of the requisite length of notice by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 7 days.
- 3.3 The quorum of the Committee shall be any two Members.
- 3.4 Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of communicating with each other simultaneously and instantaneously.
- 3.5 Resolutions of the Committee at any meetings shall be passed by a majority of votes of the Members present.
- 3.6 A resolution in writing signed by all the Members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.
- 3.7 Full minutes of meetings of the Committee shall be kept by the secretary of the Committee. Draft and final versions of minutes shall be circulated to all Members for their comment and records respectively, in both cases within a reasonable period of time after the meeting. Such minutes shall be open for Directors' inspection.

#### **4. Attendance at Meetings**

- 4.1 At least once a year, representatives of the Company's external auditors will meet the Committee without any executive Directors being present, except by invitation of the Committee, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditors may wish to raise.
- 4.2 At the invitation of the Committee, the following persons may attend the meeting:
  - i) chief financial officer or head of accounts department (or person occupying the same position);
  - ii) other members of the Board or other persons.
- 4.3 Only Members of the Committee are entitled to vote at the meetings.

## **5. Annual General Meeting**

- 5.1 The chairman of the Committee or in his/her absence, another Member (who must be an INED) of the Committee, shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Committee's activities and their responsibilities.

## **6. Responsibility, Powers and Discretion**

The responsibility of the Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control systems and to assist the Board with any other responsibility as may be delegated by the Board from time to time. The Committee shall have the following responsibilities, powers and discretion:

### *Relationship with the Company's External Auditors*

- 6.1 to be primarily responsible for making recommendation to the Board on the appointment, reappointment 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;
- 6.2 to review and monitor the external auditors' independence and objectivity;
- 6.3 to review and monitor the effectiveness of the audit process in accordance with applicable standard and to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;
- 6.4 to develop and implement policy on the engagement of external auditors to supply nonaudit services. For this purpose, "external auditors" include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally;
- 6.5 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 6.6 to act as the key representative body for overseeing the Company's relations with the external auditors;

*Review of the Company's financial information*

- 6.7 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and to review any significant financial reporting judgements contained in them. In reviewing these reports (if applicable) before submission to the Board, the Committee shall focus particularly on:
- (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from audit;
  - (d) the going concern assumptions and any qualifications;
  - (e) compliance with accounting standards; and
  - (f) compliance with the GEM Listing Rules and other legal requirements in relation to financial reporting;

6.8 Regarding 6.7 above:

- (a) Members of the Committee must liaise with the Company's Board and senior management;
- (b) the Committee must meet, at least twice a year, with the Company's external auditors; and
- (c) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must 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 person occupying the same position), or external auditors;

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

- 6.9 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 Company's risk management and internal control systems;
- 6.10 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;

- 6.11 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;
- 6.12 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;
- 6.13 to review the Group's financial and accounting policies and practices;
- 6.14 to review the external auditors' management letter, any material queries raised by the external auditors to management about the accounting records, financial accounts or systems of control and management's response;
- 6.15 to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- 6.16 to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters for appropriate follow-up action;

*Corporate governance functions delegated by the Board*

- 6.17 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- 6.18 to review and monitor the training and continuous professional development of Directors and senior management;
- 6.19 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- 6.20 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- 6.21 to review the Company's compliance with the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules and disclosure in the Corporate Governance Report;

*Others*

- 6.22 to report to the Board on all matters in these terms of reference; and
- 6.23 to consider any other matters specifically referred to the Committee by the Board.

## **7. Reporting Responsibilities**

7.1 The Committee shall report to the Board after each meeting.

## **8. Authority**

8.1 The Committee is authorised by the Board to inspect all accounts, books and records of the Company.

8.2 The Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purposes of discharging its duties.

8.3 A Director as a Member of the Committee may seek independent professional advice in appropriate circumstances at the Company's expense to discharge his/her duties as a Member of the Committee to the Company.

*Note: Arrangement to seek independent professional advice could be made through Company Secretary.*

8.4 The Committee shall be provided with sufficient resources to discharge its duties.

## **9. Publication of the Terms of Reference**

9.1 The terms of reference was posted on the website of the Company and The Stock Exchange of Hong Kong Limited, explaining the role of the Audit Committee and the authority delegated to it by the Board.

*Note: If there is any inconsistency between the English and Chinese versions of the terms of reference, the English version shall prevail.*