



## UNISPLENDOUR TECHNOLOGY (HOLDINGS) LIMITED

紫光科技（控股）有限公司 \*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 365)

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

#### Chapter 1 General Provisions

- Rule 1** The terms of reference (the “Terms”) are formulated for the audit committee (the “Committee”) of the board of directors (the “Board”) establish by Unisplendour Technology (Holdings) Limited (the “Company”) in accordance with the Bermuda Companies Act 1981, the Securities and Futures Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the appendix 14 of the Listing Rules the bye-laws of the Company (the “Bye-laws”) and other relevant regulation, in order to establish a sound audit management system and optimise the corporate governance structure of the Company.
- Rule 2** The Committee is a body specifically set up under the Listing Rules by the Board, mainly responsible for financial reporting, risk management and internal control principles and maintain an appropriate relationship with the auditors of the Company through formal and transparent arrangements.

#### Chapter 2 Composition

- Rule 3** The Committee shall consist of at least three non-executive directors, at least two of which shall be independent non-executive directors. At least one of the members of the Committee shall has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.
- Rule 4** Member of the Committee (the “Member(s)”) shall be nominated by the chairman of the Board or one-third or more of all directors, and shall be elected by the Board.
- Rule 5** The Committee shall have a chairman who shall be an independent non-executive director. The chairman of the Committee shall be responsible for leading the work of the Committee. The chairman of the Committee shall be elected from the Members and be reported to the Board for approval.
- Rule 6** A former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member of the Committee for a period of 1 year from the dated of his ceasing to be a partner of the firm or to have any financial interest in the firm.
- Rule 7** If any Member resigns from the position of director of the Company, he/she shall automatically lose his/her position as Member, and the vacancy shall be filled by the Board pursuant to rule 3 to 6 thereof.
- Rule 8** The secretary of the Committee shall be held by the company secretary of the Company.

## Chapter 3 Duties and Authorities

**Rule 9** The Committee is authorised to maintain the relationship with the auditors of the Company:

- 1) 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 question of its resignation or dismissal;
- 2) 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;
- 3) 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; and
- 4) to act as the key representative body for overseeing the Company's relations with the external auditor.

**Rule 10** The Committee is authorised to review the financial information of the Company:

- 1) to monitor integrity of the Company's financial statements and annual report and accounts, half-year 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 Committee should focus particularly on any changes in accounting policies and practices, major judgmental areas, significant adjustment resulting from audit, the going concern assumptions and any qualifications, compliance with accounting standards, and compliance with the Listing Rules and legal requirements in relation to financial reporting;
- 2) to review the Company's financial controls, risk management and internal control systems;
- 3) 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;
- 4) 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) 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) to review the group's financial and accounting policies and practices;

7) 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;

8) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

9) to report to the Board on the aforementioned matters;

10) 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

11) to consider other topics, as defined by the board.

#### **Chapter 4 Decision-making Process**

**Rule 11** The Board shall ensure that the Committee's access to the information below, and provide necessary assist to ensure the Committee has sufficient resources to perform its obligation:

1) the financial information of the Company;

2) the information regarding the financial controls, risk management and internal control systems of the Company; and

3) relevant documents with the external auditors.

**Rule 12** 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.

**Rule 13** Regrading rule 10(1):

1) the 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

2) 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 auditors;

#### **Chapter 5 Rules of Procedure**

**Rule 14** At least two meeting shall be convened by the Committee per year, a notice shall be

given to all Members seven days prior to the date of the meeting. The chairman of the Committee shall preside over the meeting, in case the chairman fails to attend the meeting, he/she may appoint another independent non-executive director in the Committee to preside over the meeting.

- Rule 15** Two thirds of the Members are required to form the quorum of a meeting of the Committee. Each Member shall be entitled to one vote; resolution of a meeting must be adopted by the affirmative votes of more than half of the Members.
- Rule 16** Resolutions at the meeting of the Committee shall be passed by a show of hands or by poll. In a temporary meeting, votes may also be taken by communication.
- Rule 17** Where necessary, directors, supervisors and senior management of the Company may be invited to the meeting.
- Rule 18** Where necessary, the Committee may appoint intermediary agencies to provide professional advice for its decision-making and expenses incurred shall be borne by the Company.
- Rule 19** The procedure for convening a meeting, the method of voting and the resolutions passed at a meeting of the Committee shall comply with the provision of the relevant laws, regulation, the Bye-laws and the Terms.
- Rule 20** The Committee shall keep minutes of the meeting. Minutes of meeting of the Committee shall record in sufficient details the matter considered at the meeting of the Committee, including any doubts raised or dissenting opinions expressed by the Members. after a meeting is concluded, the secretary of the meeting shall send the draft and final minutes to all the members in succession within a reasonable period upon conclusion of the meeting; wherein, the draft minutes are intended to be provided to the Members for their comments and the final minutes are kept for record..
- Rule 21** Any resolution passed or the results of a poll taken at a meeting of the Committee shall be reported in writing to the Board of the Company.
- Rule 22** All Members present at a meeting shall be obligated to keep confidential all matters discussed at the meeting and shall not disclose such information without authorisation.

### **Chapter 6 Supplementary Provisions**

- Rule 23** The Terms should come into effect since the date of approval by the Board.
- Rule 24** Any matters not specified in the Terms or any rules not in compliance with relevant laws, regulations, regulatory documents released by the The Stock Exchange of Hong Kong Limited, the relevant laws, regulation or regulatory documents shall prevail.
- Rule 25** The Terms and its revision shall take effect upon approval by resolution of the Board.
- Rule 26** The Board reserves the right of interpretation of the Terms.