

# **BOLTEK HOLDINGS LIMITED**

## **寶燧控股有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 8601)**

**(the “Company”)**

### **Terms of Reference for Audit Committee**

#### **1. Constitution**

The board (the “**Board**”) of directors (the “**Directors**”) of the Company on 20 August 2018 resolved to establish a committee of the Board known as the Audit Committee (the “**Committee**”).

The first revised terms of reference of the Committee was adopted by the Board on 4 January 2019.

#### **2. Functions and Objectives**

The Committee is appointed by the Board with a view to assist the Board in overseeing and reviewing:

- The effectiveness of the Company’s internal control and risk management system
- The balance, transparency and integrity of the Company’s financial statements and the application of financial reporting principles
- The relationship with the external auditor, and its independence assessment
- The adequacy of resources, qualifications and experience of the Company’s accounting staff, their training programs, and budget

#### **3. Composition**

3.1 The members of the Committee shall be appointed by the Board from amongst the non-executive Directors only and must comprise at least three members, with the majority being independent non-executive Directors.

3.2 At least one of the independent non-executive Directors serving as a member of the Committee must possess appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”).

3.3 The Committee must be chaired by an independent non-executive Director.

3.4 Any 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 ceasing to be a partner of the firm or to have any financial interest in the firm (whichever is later).

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

4.1 The Committee may invite any appropriate person to attend meetings of the Committee as it considers appropriate, including the financial controller and representative(s) of the external auditors and other Board members. However, at least once a year the Committee shall meet with the external auditors without executive Board members present.

4.2 The Chairman, in consultation with the financial controller and the secretary of the Committee, should be primarily responsible for drawing up and approving the agenda for each Committee meeting. The Chairman, with the assistance of the secretary, shall ensure that all members shall receive sufficient information in a timely manner to enable effective discussion at the Committee meeting. The Chairman shall, with the assistance of the financial controller, brief all members on issues arising at each Committee meeting.

4.3 Unless it is agreed otherwise, the Company Secretary of the Company should assume the role of secretary for the Committee.

#### **5. Proceedings of Meetings**

5.1 The meetings and proceedings of the Committee are governed by the provisions of the Articles of Association of the Company for regulating the meetings and proceedings of the Board, except as otherwise determined by the Board from time to time.

5.2 The quorum for meetings shall be two members of the Committee.

#### **6. Frequency of meeting**

Meetings shall be held not less than two times a year. Special meetings may be convened as required. The secretary of the Committee will convene a meeting on receipt of a request by the external auditors.

#### **7. Authority**

7.1 The Board authorises the Committee to:

- (a) perform activities within the scope of these terms of reference;

- (b) engage independent counsel and other independent professional advisers as it deems necessary, at the Company's expense, to perform its duties;
- (c) obtain information required by Committee members in pursuit of their duties, and have access to members of management and other employees for such purpose; and
- (d) investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee.

7.2 The Company should provide the Committee sufficient resources to perform its duties. Where necessary, the Committee should seek independent professional advice, at the Company's expense, to perform its responsibilities.

## **8. Duties**

The authority of the Committee is derived from the Board, therefore the Committee is obliged to report to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so. The duties of the Committee are as follows:

### **8.1 *Financial Control, Internal Control and Risk Management System***

- 8.1.1 to review the Company's financial controls, internal control and risk management systems;
- 8.1.2 to discuss the internal control system 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 issuer's accounting and financial reporting function;
- 8.1.3 to consider any major investigation finding on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- 8.1.4 where an internal audit function exists, ensure co-ordination between internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;
- 8.1.5 to review the financial and accounting policies and practices of the Company and its subsidiaries;

- 8.1.6 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;
- 8.1.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 8.1.8 to report to the Board on the matters in the provisions in the Corporate Governance Code (Appendix 15 of the GEM Listing Rules);
- 8.1.9 to ensure the adequacy of resource, staff qualifications and experience, training programmes, and budget of the Company's accounting and financial reporting function;
- 8.1.10 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;
- 8.1.11 to make available the terms of reference, explaining the role of the Committee and the authority delegated to it by the Board by including them on the websites of GEM of the Stock Exchange of Hong Kong Limited and the Company;
- 8.1.12 to formulate whistle-blowing policies and systems so that the employees and other persons (e.g. customers and suppliers) who have connections with the Company can, in confidence, report to the Committee concerns about any impropriety relating to the Company; and
- 8.1.13 to consider any other topics, as defined by the Board.

## **8.2 *Review of Financial Information***

- 8.2.1 to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting;
- 8.2.2 to monitor the integrity of the Company's financial statements, annual report and accounts, half-yearly reports and quarterly reports, by ensuring that appropriate accounting principles, practices and reporting standards are followed, and to review significant financial reporting judgments contained in them, with particular focus on:
- any changes in accounting policies and practices;
  - major judgmental areas;

- significant adjustments resulting from audit;
- the going concern assumptions and any qualifications;
- compliance with accounting standards; and
- compliance with the GEM Listing Rules and legal requirements in relation to financial reporting.

8.2.3 for the purposes of 8.2.1 above:

- members of the Committee should liaise with Board and senior management, and the Committee must meet with the external auditors at least twice a year; and
- the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and it should give due consideration to any matters that have been raised by the compliance officer or auditors or Company's staff responsible for the accounting and financial reporting function.

### **8.3 *Relationship with the auditors***

8.3.1 to be primarily responsible for making recommendations 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. The external audit fees are to be negotiated by management, and presented to the Committee for review and approval annually;

8.3.2 to review and monitor the external auditors' independence and objectivity, and the effectiveness of the audit process in accordance with applicable standards and the Group's accounting policies.

The Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

8.3.3 When assessing independency of the external auditors:

- (i) to consider all relationships between the Company and the external auditor (including the provision of non-audit services);
- (ii) to seek or obtain from the external auditor annually information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff;

- (iii) to meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise; and
  - (iv) to agree with the Board the Company's policy on hiring of employees or former employees of the external auditor and monitoring the applications of these policies. The Committee will consider whether as a result of such hiring there has been or appears to be any impairment of the external auditor's judgement or independence in respect of an audit;
- 8.3.4 to develop and implement policy on engaging an external auditor (which 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) to supply non-audit services, if any, and to identify and make recommendation on any matters where action or improvement is needed;
- 8.3.5 to ensure that provisions of non-audit services would not impair the independency and objectivity of the external auditors. When assessing the external auditor's independence or objectivity in relation to non-audit services, the Committee should consider:
- (i) whether the skills and experience of the audit firm make it a suitable supplier of non-audit services;
  - (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the external audit because the external auditor provides non-audit services;
  - (iii) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the audit firm; and
  - (iv) criteria for compensation of the individuals performing the audit;
- 8.3.6 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 8.3.7 to act as the key representative body for overseeing the Company's relations with the external auditor and to serve as a focal point for communication between other Directors and the external auditors as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time; and

8.3.8 where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, arrange for the Corporate Governance Report to include an explanation of the Committee's recommendation and the reasons why the Board has taken a different view.

## **9. Reporting procedures**

- 9.1 The secretary of the Committee shall record minutes of all duly constituted meetings of the Committee. All minutes shall record in sufficient details the matters considered, decisions reached or recommendations made and any concerns raised by any member including dissenting views.
- 9.2 The secretary shall circulate the draft and final versions of the minutes of meetings and reports of the Committee to all members for comments and records within a reasonable time after each meeting, subject to any legal or regulatory restrictions restricting such circulation or the making of such reports.
- 9.3 The Chairman of the Committee who chairs the meetings or any other Member who is authorised by the chairman of the Committee to chair the meetings shall report in the forthcoming regular Board meeting any key decisions made and shall table before the Board an index of meetings and issues discussed.

## **10. Interpretation**

Interpretation of these terms of reference shall belong to the Board.

*(The English version shall always prevail in case of any inconsistency between the English version and its Chinese translation.)*