



## Ahsay Backup Software Development Company Limited

### 亞勢備份軟件開發有限公司

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

**(Stock Code: 8290)**

## **TERMS OF REFERENCE OF AUDIT COMMITTEE**

*(adopted by the Company pursuant to the board resolution passed on 4 September 2015 and further amended with effect from 1 January 2019)*

### **Formation**

1. The board (the “**Board**”) of directors (the “**Directors**”) of Ahsay Backup Software Development Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) has resolved to establish an audit committee (the “**Committee**”) on 4 September 2015.

### **Membership**

2. The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three (3) members at least one (1) of whom is an independent non-executive director with 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 the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”). The majority of the Committee members should be independent non-executive directors. A quorum shall be two (2) members.
3. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of its audit 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 the firm, whichever is later.
4. The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive directors.
5. Unless otherwise provided in these terms of reference, the meetings and proceedings are governed by the provisions contained in the articles of association of the Company for regulating meetings and proceedings of directors.

## **Attendance at meetings**

6. Attendees shall normally include Committee's members, the finance director (or any officer(s) assuming the relevant functions but having a different designation), a representative of the external auditors and those with meaningful input to the Committee's activities. The executive directors shall also have the right of attendance. However, at least once a year the Committee shall meet with the external auditors without executive Board members present.
7. The company secretary shall be the secretary of the Committee. The secretary of the Committee or in his absence, his representative or any one member, shall be the secretary of the meetings of the Committee.
8. Meetings could be held in person, by telephone or by video conference.

## **Frequency of meetings**

9. Meetings shall be held not less than four times a year and special meetings may be called at the discretion of the chairman of the Committee or at the request of the Board or senior management of the Company to review significant internal control or financial issues. The external auditors of the Company may request a meeting if they consider that one is necessary.

## **Authority**

10. The Committee is authorized by the Board to investigate activity within the scope of its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
11. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
12. The Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.
13. 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.

14. The audit committee should be provided with sufficient resources to perform its duties.

## **Duties**

15. The duties of the Committee shall be:

### **Relationship with external auditor**

- (a) 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;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;
- (c) 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;

### **Review of the Group's financial information**

- (d) to monitor integrity of the Group's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, 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 GEM Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:-
  - (i) members of the Committee should liaise with the Board, and senior management and the Committee must meet, at least forth a year, with the Company's 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 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, compliance officer or auditors;

### **Oversight of the issuer's financial reporting system and internal control procedures**

- (f) to review the Company's financial controls, internal controls and risk management systems;
- (g) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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;
- (h) to consider major investigations findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (i) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (j) 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 controls and management's response;
- (k) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;

- (l) where an internal audit function exists, 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to report to the Board on the matters in the terms of reference of the Committee;
- (o) to review the group's financial and accounting policies and practices;
- (p) to review, confirm and approve the group's connected transactions;
- (q) 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;
- (r) to act as the key representative body for overseeing the Company's relations with the external auditor; and
- (s) to consider other topics, as defined by the Board.

## **Reporting procedures**

16. The secretary or his representative shall circulate draft and final versions of the minutes of meetings to all committee members for their comment and records within a reasonable time after the meeting.
17. The Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report the findings and recommendations of the Committee to the Board. At least annually, the Committee should present a report to the Board which addresses the work and findings of the Committee during the year.

### *Note:*

If there is any inconsistency between the English and Chinese versions of this document, the English version shall prevail.