



# CORNERSTONE TECHNOLOGIES HOLDINGS LIMITED

## 基石科技控股有限公司

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

(Stock Code: 8391)

### AUDIT COMMITTEE

### TERMS OF REFERENCE

#### CONSTITUTION

1. The board (the “**Board**”) of directors (the “**Directors**”) of Cornerstone Technologies Holdings Limited (the “**Company**”) has resolved to establish a committee of the Board to be known as the Audit Committee (the “**Committee**”) at a meeting held on 19 April 2018.
2. The terms of reference of the Committee may be amended from time to time by the Board pursuant to the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

#### MEMBERSHIP AND QUORUM

3. The Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three members, a majority of whom should be independent non-executive Directors (“**INED(s)**”). A quorum shall be two members, of whom one must be an INED.
4. The chairman of the Committee (the “**Chairman**”) shall be appointed by the Board and must be an INED.
5. At least one INED must have appropriate professional qualifications or accounting or related financial management expertise as required under rule 5.05(2) of the GEM Listing Rules.

Former partner of the Company’s existing auditing firm is prohibited from acting as a member of the Committee for a period of two years commencing on the later of (a) the date of the person ceasing to be a partner of the firm; or (b) the date of the person ceasing to have any financial interest in the firm.

## **SECRETARY**

6. The company secretary of the Company, or in his absence, his representative, shall act as the secretary of the Committee (the “**Secretary**”). The Committee may from time to time appoint any other person with appropriate qualification and experience as Secretary.

## **FREQUENCY OF MEETINGS**

7. The Committee shall meet at least two times a year. Additional meetings should be held if the Committee considers it necessary or upon request of the Company’s external auditors.

## **NOTICE OF MEETINGS**

8. Notice of any meetings of the Committee must be given 7 days prior to any 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 meeting is not required if the adjournment is less than 14 days.

## **PROCEEDING OF MEETINGS**

9. Proceedings of meetings of the Committee shall be governed by the provisions of the Amended and Restated Memorandum and Articles of Association of the Company.
10. The Secretary shall keep full minutes of all Committee meetings. Draft and final versions of minutes of meetings of the Committee shall be sent to all members for their comments and records respectively, in both cases within a reasonable period of time after each meeting, subject to any legal or regulatory restrictions limiting the circulation or making of the said reports.
11. The chief financial officer of the Company and a representative of the Company’s external auditors shall normally attend the meetings. The Committee may, from time to time, invite any appropriate person to attend the meeting whenever it considers necessary. However, only members of the Committee are entitled to vote at the meetings. At least once a year, the Committee shall meet the Company’s external auditors without any executive Directors being present (except by invitation of the Committee).

## **CASTING VOTE**

12. In the case of an equality of votes, the Chairman shall have the casting vote.

## **AUTHORITY**

13. The Committee is authorised by the Board:
  - (a) to investigate any activity within its terms of reference;
  - (b) to inspect all accounts, books and records of the Company;
  - (c) to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee.
14. The Committee is authorised by the Board where necessary to obtain external legal or other professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
15. The Committee shall be provided with sufficient resources to discharge its duties.

## **DUTIES**

The duties of the Committee shall be:

### **Relationship with the Company's external auditors**

- 16.1 (a) To make recommendation to the Board on the appointment, reappointment and removal of the external auditors;
  - (b) to review and approve the remuneration and terms of engagement of the external auditors; and
  - (c) to consider any questions of resignation or dismissal of the external auditors and consider whether there are any matters that need to be brought to the attention of shareholders of the Company.
- 16.2 To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard.

When assessing independence of the external auditors:

- (i) to consider all relationships between the Company and the external auditors (including the provision of non-audit services);

- (ii) to seek or obtain from the external auditors 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 the auditors, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit engagement and any other matters the auditors 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 auditors 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 auditors' judgement or independence in respect of an audit engagement.

16.3 To discuss with the external auditors the nature and scope of the audit engagement and reporting obligations before the audit engagement commences.

16.4 (a) To develop and implement policy on the engagement of external auditors to supply non-audit services. For this purpose, external auditors shall 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 them as part of the audit firm nationally or internationally; and

(b) to report to the Board, (i) identifying any matters in respect of which it considers that action or improvement is needed and (ii) making recommendations as to the steps to be taken.

16.5 To act as the key representative body for overseeing the Company's relations with the external auditors 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.

16.6 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, arrange for the Company's corporate governance report to include an explanation of the Committee's recommendation and the reasons why the Board has taken a different view.

### **Review of financial information of the Company**

16.7 (a) To monitor integrity of the Company's financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and to review any significant financial reporting judgments contained in them.

In this regard, in reviewing the Company's annual reports and accounts, interim reports and, if prepared for publication, quarterly financial information, before submission to the Board, the Committee shall focus particularly on:

- (i) any changes in accounting policies and practices;
  - (ii) major judgemental 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 (or other applicable listing rules) and other legal requirements in relation to financial reporting.
- (b) To discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary).

16.8 In regard to 16.7 above:

- (a) Members of the Committee must liaise with the Board, senior management of the Company and the persons appointed as the Company's accountants;
- (b) the Committee must meet, at least twice a year, with the Company's external auditors; and
- (c) the Committee should 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.

### **Overseeing the Company's financial reporting system, internal control and risk management systems**

16.9 To review the Company's financial controls, internal control and risk management systems.

- 16.10 To discuss with the management the systems of internal control and risk management to ensure that management has discharged its duty to have an effective internal control and risk management systems. This discussion should include adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.
- 16.11 To consider any findings of risk management and major investigations of internal control matters as delegated by the Board or on its own initiative and management's response.
- 16.12 Where an internal audit function exists,
- (a) 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;
  - (b) to review and monitor the effectiveness of the internal audit function; and
  - (c) to review reports issued by the internal audit department.
- 16.13 To review the Group's financial and accounting policies and practices.
- 16.14 To review the external auditor's management letter, any material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control and management's response.
- 16.15 To ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter.
- 16.16 To review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board.
- 16.17 To consider the major findings of internal investigations and management's response.
- 16.18 To report to the Board on all matters set out in these terms of reference.
- 16.19 To establish a confidential communication channel for the Chairman to receive concerns raised by employees of the Company about possible improprieties in financial reporting, internal control or other matters including improper and personal use of bank accounts. The Chairman shall promptly communicate these concerns to the Committee, launch investigations and other follow-up actions.

16.20 To consider any other matters specifically referred to the Committee by the Board including but not limited to the following:

- (a) to review the internal controls and risk management systems of the Company, including the internal controls on bank account management and the monitoring of bank transactions on a quarterly basis in order to detect and prevent improper bank activities and transactions;
- (b) to review the report on bank account activities, material bank transactions and all incoming wire transfers on a half-yearly basis to detect irregularities;
- (c) to review irregularities, including matters relating to the provisions in the Corporate Governance Code (Appendix C1 to the GEM Listing Rules);
- (d) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action; and
- (e) to review the findings of the Company's internal audit division (if any) from time to time.

16.21 To ensure that the adequacy of resources, staff qualifications and experience, training programmes, and budget of the Company's accounting, internal audit, and financial reporting function.

16.22 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.

16.23 To consider any other topics, as specified by the Board.

#### **Annual general meetings and terms of reference**

16.24 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 meetings and be prepared to respond to shareholders' questions on the Committee's activities and responsibilities.

16.25 The Committee shall 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 and the Company.

## **REPORTING PROCEDURES**

17. The Secretary or his representative shall circulate the minutes of meetings and reports of the Committee to all members of the Board.
18. The Committee shall report to the Board of its findings, decisions and recommendations.
19. Reports to the Board and minutes of the Committee should be approved by the Committee before submitting to the Board. The Chairman who chair the meetings or other member who is authorised by the Chairman to chair the meetings shall report in the forthcoming regular Board meeting any key decisions made and shall table before the Board an agenda of meetings and issues discussed.

## **COMPANY'S INTERNAL AUDIT DIVISION**

20. The Company's internal audit division (if any) will report to the Board from time to time and upon listing, will report to the Committee on a quarterly basis. The internal audit division (if any) is mandated to monitor the design and operating effectiveness of internal controls, including the internal controls on prohibition of improper use of the Company's bank accounts, and report on its findings of any material deviations from the Company's policies and guidelines.

## **INTERPRETATION**

21. Interpretation of these terms of reference shall be at the absolute discretion of the Board.

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

Adopted on 19 April 2018 and revised on 30 March 2026