



COMBA TELECOM SYSTEMS HOLDINGS LIMITED

京 信 通 信 系 統 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Hong Kong Stock Code: 2342)

(Singapore Stock Code: STC)

(the “Company”)

Audit Committee Terms of Reference

Constitution

1. The Company established a audit committee (the “**Committee**”) on 20 June 2003 and adopted the terms of reference as set out herein in compliance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”).

Membership

2. The members of the Committee shall be appointed by the board (the “**Board**”) of directors (the “**Director(s)**”) of the Company.
3. The Committee must comprise non-executive Directors only. The Committee must also comprise a minimum of three members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Hong Kong Listing Rules. The majority of the Committee members must be independent non-executive Directors. The Committee must be chaired by an independent non-executive Director appointed by the Board.
4. A 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 the person ceasing (i) to be a partner of the firm or (ii) to have any financial interest in the firm, whichever is later.
5. The quorum of a Committee meeting shall be two members.

Secretary

6. The Committee may from time to time appoint any person with appropriate qualification and experience as the secretary of the Committee.

Attendance at meetings

7. The group chief financial officer, head of internal audit department, and a representative of the external auditors shall normally attend meetings. Other members of the Board and the management may also attend meetings of the Committee.

Meetings

8. The Committee shall meet at least twice a year. A meeting shall be held in person, by telephone or other electronic means provided that all persons participating in the meeting are capable of hearing each other. The external auditors may request a meeting if they consider that one is necessary. Additional meetings shall also be held as the work of the Committee demands.
9. Resolutions of the Committee at any meeting shall be passed by a majority of votes of the members of the Committee present.
10. 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.
11. Minutes shall be prepared and kept by the secretary of the Committee.

Authority

12. The Committee shall report to the Board on a regular basis as the Board may direct.
13. The Committee shall be provided with sufficient resources to perform its duties.
14. The Committee is authorised 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.
15. The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringement of relevant applicable laws, rules and regulations which come to its attention and are of sufficient importance to draw the attention of the Board.
16. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the auditors, the Committee shall arrange for the Corporate Governance Report in the annual report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.

Duties

17. The duties of the Committee shall be:

Relationship with the Company's auditors

- (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 auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (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 Company's financial information

- (d) 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:-
 - (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 Hong Kong 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 twice 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, 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 Company's financial reporting system, risk management and internal control systems

- (f) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to ensure the effectiveness of the Company's and its subsidiaries' risk management and internal control systems is reviewed at least annually (the scope of review should cover all material controls, including financial, operational and compliance controls);
- (g) 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:
 - (i) the changes, since the last annual review, in the nature and extent of significant risks (including ESG risks), and the Company's ability to respond to changes in its business and the external environment;
 - (ii) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;
 - (iii) the extent and frequency of communication of monitoring results to the Board (or Board committee(s)) for the purposes of assessing the adequacy and the effectiveness of the Company's risk management and internal control systems;
 - (iv) significant control failings or weaknesses identified during the review of the risk management and internal control systems, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition, and any remedial measures taken to address such control failings or weaknesses;
 - (v) the effectiveness of the Company's processes for financial reporting and the compliance with the Hong Kong Listing Rules; and

- (vi) the adequacy of resources (internal and external) for designing, implementing and monitoring the risk management and internal control systems, including staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, and financial reporting functions, as well as those relating to the Company's ESG performance and reporting.
- (h) 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;
- (i) 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;
- (j) to review the group's financial and accounting policies and practices;
- (k) 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;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) 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;
- (n) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (o) to report to the Board on the matters in these terms of reference;
- (p) to consider other topics, as defined by the Board;
- (q) do any such things or acts to enable the Committee to discharge its duties and functions conferred on it by the Board; and
- (r) conform to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the articles of association of the Company or imposed by relevant applicable legislation and regulations.

This terms of reference is in English and Chinese. In case of any inconsistency, the English version shall prevail.