

Prosten Technology Holdings Limited
(the “Company”)

Terms of Reference

of

Audit Committee

(Adopted at the Board Meeting held on 22 June 2009 pursuant to the amended Code on Corporate Governance Practices effective on 1 January 2009)

1. Membership

- 1.1 The Audit Committee (the “Committee”) shall be established by the Board of Directors (the “Board”) and must consist of a minimum of three members (the “Members”).
- 1.2 Membership shall be confined to non-executive Directors the majority of which must be independent non-executive Directors (“INEDs”) and at least one INED with appropriate professional qualifications or accounting or related financial management expertise.
- 1.3 The Chairman of the Committee shall be appointed by the Board and must be an INED.
- 1.4 Any appointment of a former partner of the Company’s existing audit firm shall comply with the requirements of the GEM Listing Rules in force from time to time.

2. Secretary

- 2.1 The Company Secretary shall be the secretary of the Committee.
- 2.2 The Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Committee.

3. Meetings

- 3.1 The Committee shall meet at least twice each year. The Company’s external auditors may request that a meeting be held if they consider it necessary.
- 3.2 In addition, the Chairman of the Committee may convene additional meetings at his discretion.
- 3.3 Notice of any meetings has to be given at least 7 days prior to any such 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 meetings is not required if adjournment is for less than 7 days.

- 3.4 The quorum of the Committee shall be any two Members.
- 3.5 Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of communicating with each other simultaneously and instantaneously.
- 3.6 Resolutions of the Committee at any meetings shall be passed by a majority of votes of the Members present.
- 3.7 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.
- 3.8 Full minutes of meetings of the Committee shall be kept by the secretary of the Committee. Draft and final versions of minutes shall be circulated to all Members for their comment and records respectively, in both cases within a reasonable period of time after the meeting. Such minutes shall be open for Directors' inspection.

4. Attendance at Meetings

- 4.1 At least once a year, representatives of the Company's external auditors will meet the Committee without any Executive Directors being present, to discuss matters relating to the external auditors' audit fees, any issues arising from the audit and any other matters the external auditors may wish to raise, except by invitation of the Committee.
- 4.2 Only Members of the Committee are entitled to vote at the meetings.

5. Annual General Meeting

- 5.1 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 Meeting and be prepared to respond to shareholders' questions on the Committee's activities and their responsibilities.

6. Responsibility, Powers and Discretion

The responsibility of the Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting and internal control system. The Committee shall have the following responsibilities, powers and discretion:

Relationship with the Company's External Auditors

- 6.1 to be primarily responsible for making recommendation 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 resignation or dismissal of that auditor;
- 6.2 to review and monitor the external auditor's independence and objectivity;

- 6.3 to review and monitor the effectiveness of the audit process in accordance with applicable standard and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 6.4 to develop and implement policy on the engagement of external auditor to supply non-audit services. For this purpose, external auditor 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 as part of the audit firm nationally or internationally;
- 6.5 to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

Review of financial information of the Company

- 6.6 to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review any significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and quarterly reports before submission to the Board, the Committee shall focus particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from audit;
 - (d) the going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with the GEM Listing Rules and other legal requirements in relation to financial reporting;
- 6.7 In regard to 6.6 above:-
 - (a) Members of the Committee must liaise with the Company's Board and senior management;
 - (b) the Committee must meet, at least once a year, with the Company's external auditors; and
 - (c) the Committee shall 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;

Oversight of the Company's financial reporting system and internal control procedures

- 6.8 to review the Company's financial controls, internal control and risk management systems;
- 6.9 to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

- 6.10 to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- 6.11 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 the effectiveness of the internal audit function;
- 6.12 to review the Group's financial and accounting policies and practices;
- 6.13 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;
- 6.14 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.15 to report to the Board on all matters set out in the Terms of Reference; and
- 6.16 to consider any other matters specifically referred to the Committee by the Board.

7. Reporting Responsibilities

- 7.1 The Committee shall report any major findings and/or decisions to the Board as soon as practicable after each meeting. Minutes of each meeting of the Committee shall be copied to all members of the Board for information purposes.

8. Authority

- 8.1 The Committee is authorised by the Board to inspect all accounts, books and records of the Company.
- 8.2 The Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purposes of discharging its duties.
- 8.3 A Director as a Member of the Committee may seek independent professional advice in appropriate circumstances at the Company's expense to discharge his/her duties as a Member of the Committee to the Company.
- 8.4 The Committee shall be provided with sufficient resources to discharge its duties.

9. Publication of the Terms of Reference

- 9.1 The Terms of Reference will be posted on the website of the Company. A copy of the Terms of Reference will be made available to any person without charge upon request.

9.2 The Board may, subject to compliance with the articles of association of the Company and the GEM Listing Rules, amend, supplement and revoke these Terms of Reference and any resolution passed by the Committee, provided that no amendments to and revocation of these Terms of Reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such Terms of Reference or resolution had not been amended or revoked.

Remark: "senior management" should refer to the same category of persons as referred to in the Company's annual report and is required to be disclosed under Appendix 15 of the GEM Listing Rules.