



China Singyes New Materials Holdings Limited

中國興業新材料控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8073)

(the “Company”)

AUDIT COMMITTEE

TERMS OF REFERENCE

(Amended as of 20 March 2019)

1. Organization

An audit committee (“**Committee**”) was set up pursuant to a resolution passed by the board (“**Board**”) of directors (“**Directors**”) at its meeting held on 23 June 2017, with effect from the listing date.

2. Objective

The Committee shall be appointed by the Board. The main objective of the Committee is to be responsible for the relationship with the Company’s auditors, with the view to assisting the Board of Directors in supervising and reviewing:

- the efficiency of internal control and risk management system of the Company;
- the transparency and integrity of the Company’s financial statements, and the implementation of the financial reporting standard;
- its relationship with external auditors and the assessment of their independence;
- the adequacy of qualification and experience of the accountants of the Company and the resources and training provided for them.

3. Composition

- 3.1 The Committee shall comprise independent non-executive Directors who are appointed or removed by the Board. If any member of the Committee (“**Member**”) ceases to be a Director, he/she will cease to be a Member automatically. The vacancy will be filled by appointment of new Member by the Board. The Committee must 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 5.05(2) of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”).
- 3.2 The majority of the Members shall be independent non-executive Directors.
- 3.3 The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive Director.
- 3.4 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member for a period of two (2) years from the date of his ceasing:
- (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm,
- whichever is later.

4. Secretary

Save as otherwise appointed by the Committee, the secretary to the Committee shall be the secretary to the Company.

5. Powers

- 5.1 The Board authorizes the Committee to conduct any investigation within its scope of powers. The Committee shall have the powers to demand any information necessary from any employees of the Company and its subsidiaries (the “**Group**”), and all employees shall be instructed to cooperate with the Committee and satisfy any of its requests.
- 5.2. The Committee shall be provided with sufficient resources to perform its responsibilities. The Board shall authorize the Committee to seek external legal advice or other independent professional advice, and to invite professionals with relevant experience and knowledge to attend meetings, provided that it is necessary for performing its duties.

5.3 The Board authorize the Committee to review arrangements that may cause concern about the possible misconduct in financial reporting, internal control or otherwise.

6. Duties

The duties of the Committee are as follows:

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 Company's external auditor, and to approve the remuneration and terms of engagement of the Company's external auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the Company's 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. Should there be more than one auditor firms participating, the Committee shall ensure the coordination between them;
- (c) to develop and implement policy on engaging the Company's external auditors 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 the Company's financial statements and to review the integrity of annual report and accounts, half-year reports and quarterly reports (if any), 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 Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:-
- (i) Members should liaise with the Board and senior management of the Company and the Committee must meet, at least twice a year, with the Company's external 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;
- (f) to discuss with the Company's external auditors questions and doubts arising in audit of quarterly (if any), interim (if any) and annual accounts, and other matters that the auditors wish to discuss (may conduct in the absence of the Company's management if necessary);
- (g) to review the letter to the Company's management from the Company's external auditors and the management's response;
- (h) if the Company's annual report includes statement about the Company's internal audit system, to review such statement prior to submission for the Board's approval;

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

- (i) to review the Company's financial reporting, financial controls, risk management and internal control systems;
- (j) to discuss the risk management and internal control systems with the Company's management to ensure that management has performed its duty to have an effective 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;

- (k) 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;
- (l) where an internal audit function exists in the Company, to ensure co-ordination between the Company's internal and external auditors, and to ensure that the Company's internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (m) to review the financial and accounting policies and practices of the Group;
- (n) 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;
- (o) to review the Company's compliance with relevant requirements under the Mandatory Provident Fund Schemes Ordinance (Cap. 485, Laws of Hong Kong) in respect of matters reported by the chief financial officer of the Company;
- (p) to ensure the Company's compliance with legislations and regulations in connection with the Group;
- (q) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (r) to report to the Board on the matters in within the scope of this term of reference;
- (s) to consider other topics, as defined by the Board;

Others

- (t) 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;
- (u) to act as the key representative body for overseeing the Company's relations with the Company's external auditor.

- (v) to review the compliance records in respect of financial risk on a quarterly basis;
- (w) to deal with any other matters within its powers and functions duly conferred upon by the Board; and
- (x) to comply with the request issued by the Board from time to time, Guiding Letters, codes, Company's Constitution Documents, Listing Rules or any other applicable laws.

7. Meetings of the Committee

7.1 Number of meeting

There shall be at least four meetings of the Committee annually to be convened and held by attending in person, telephone or video conference. The Board, any Member or the Company's external auditors may demand meeting to be convened if required.

7.2 Notice of meeting

Unless waived by all Members on notice, the secretary to the Committee shall give at least seven days' prior notice in writing to all Members for any meeting to be convened and circulate the meeting agenda to the Members.

7.3 Quorum

Meetings of the Committee shall be attended by more than one-half of the Members to be effective.

7.4 Conducting the meetings

Meetings could be convened by attending in person, telephone or video conference. Members could attend the meetings through telephone conference or similar arrangements which Members could communicate to each other. With consent by all Members, resolutions of the Committee could be passed by written resolutions.

7.5 Resolutions

Any resolution shall be passed by the majority votes of the Members who attend the meeting.

7.6 Invitations

The Committee could invite any executive Directors, external advisers or other individuals to attend the meetings but such executive Directors, advisers or individuals are not entitled to vote at the meetings.

7.7 Minutes of the meetings

Full minutes of meetings should be kept by the secretary to the Committee. Minutes shall record matters considered and decisions reached by the Members in details, including any doubt or disagreement raised by the Members. Subject solely to any legislative or regulatory requirements that impose restriction upon their circulation or copies, draft and final versions of the minutes of the meetings should be sent to all Members for their comment and records, within a reasonable time after the meetings.

7.8 Attendance of the meetings

The Company's chief financial officer, head of internal audit and representative of the external auditors shall be required to attend Committee meetings in general. Further, the Committee shall hold at least one meeting annually with the Company's external and internal auditors in the absence of the Company's management.

8. Report

Chairman of the Committee who chair the meetings or other Member who is authorized by the Chairman of the Committee to chair the meetings shall report to the Board after each meeting of the Committee.

9. Interpretation

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