

**Asymchem Laboratories (Tianjin) Co., Ltd.**

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE UNDER  
THE BOARD OF DIRECTORS**

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## Chapter 1 General Provisions

**Article 1** In order to strengthen the board of directors of the Asymchem Laboratories (Tianjin) Co., Ltd. (the “Company”)’s effective supervision over the management and to further improve the Company’s corporate governance structure, the Terms of Reference are formulated in accordance with the Company Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange, the Guidelines for the Standardized Operation of Listed Companies on the SME Board of The Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”), the Articles of Association of Asymchem Laboratories (Tianjin) Co., Ltd. (the “Articles”) and other relevant regulations.

**Article 2** The Audit Committee under the board of directors is a specific working body set up by the board of directors in accordance with the resolutions at the general meeting. Its main responsibilities are to communicate with the internal and external auditing of the Company, and to supervise and review their job performance.

## Chapter 2 Composition

**Article 3** The Audit Committee comprises a minimum of three directors, and all of them shall be non-executive directors, with a majority of them being independent non-executive directors. At least one of the independent non-executive directors having appropriate professional qualifications or accounting or related financial management expertise under the Hong Kong Listing Rules.

**Article 4** The Audit Committee members shall be nominated by the chairman of the board of directors, more than half of the independent non-executive directors or more than one third of all the directors and shall be elected by the board of directors.

**Article 5** The Audit Committee shall have one chairman (convener) who shall be elected from among the independent non-executive directors who are professional accountants and shall preside the work of the Committee. The chairman shall work for the Company for no less than 25 working days each year.

**Article 6** The term of office of Audit Committee is consistent with that of the board of directors. After expiration of such term, a committee member may serve for another term upon re-elected. If a committee member ceases to be a director of the Company or otherwise is unable to fulfill his/her duty as a director before the expiry of his/her term of office, or if any member who shall be an independent non-executive director no longer possesses such independence as required by relevant laws and regulations, the Hong Kong Listing Rules or the Articles, such member shall be disqualified as a member automatically and the board of directors shall appoint a new member to fill the vacancy pursuant to Article 3 of these terms of reference.

Adjustments may be made to the members of the Audit Committee during their terms of office upon being proposed by the chairman of the board of directors and approved by the board of directors upon discussion.

**Article 7** The office of the board of directors is responsible for the routine work of the audit committee.

**Article 8** A former partner of an auditing firm which currently serves as the Company's auditor shall not serve as a member of the Audit Committee of the Company within two years commencing from the following dates (whichever is later):

1. the date when he/she ceases to be a partner of that firm; or
2. the date when he/she ceases to have any financial interest in that firm.

### **Chapter 3 Duties and Authorities**

**Article 9** The primary duties and authorities of the Audit Committee include:

- (I) advising the board of directors on the appointment, renewal, replacement or dismissal of the external audit agency; approving and reviewing audit fees and appointment terms of the external audit agency; dealing with any issues related to resignation or dismissal of the external audit agency, supervising the work of the external audit agency and reviewing reports of the external audit agency. When the Company engages or replaces its external audit agency, the Audit Committee shall form an opinion on relevant matters and propose a resolution to the board of directors for further consideration;
- (II) reviewing and monitoring the external auditor agency's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (III) supervising the financial control and internal audit system of the Company and its implementation;
- (IV) being responsible for the communication between internal audit and external audit, and to monitor the relationship between the Company and external audit;
- (V) reviewing the integrity of the Company's financial statements and annual report and accounts, semi-annual 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 of directors, the Audit Committee shall focus particularly on:
  1. any changes in accounting policies and practices;
  2. major judgmental matters;
  3. significant adjustments resulting from audit;

4. the going concern assumptions and any qualifications;
5. compliance with accounting standards;
6. compliance with laws and requirements in relation to financial reporting in the Hong Kong Listing Rules;

(VI) To perform the duties under paragraph (V) of this Article:

1. members of the Audit Committee shall liaise with the board of directors, senior management officers and the appointed audit agency; the Audit Committee shall convene meetings with the external audit agency at least twice a year;
2. the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the financial reports and accounts, and shall give due consideration to any matters that have been raised by the Company's financial officers, internal auditors or supervisors, or the external auditor's agency engaged by the Company;

(VII) reviewing the Company's risk management and internal control systems;

(VIII) discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

(IX) considering major investigation findings on risk management and internal control matters as delegated by the board of directors or on its own initiative and management's response to those findings;

(X) ensuring 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;

(XI) reviewing the Company's financial and accounting policies and practices;

(XII) reviewing the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of internal control and management's response;

(XIII) ensuring that the board of directors will provide a timely response to the issues raised in the external auditor's management letter;

- (XIV) ensuring that the Company has established appropriate channels for employees to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters, and to review such arrangements from time to time so that the Company can conduct a fair and independent investigation of these matters and take appropriate actions;
- (XV) acting as the key representative body between Company and the external auditor agency for overseeing their relations;
- (XVI) reviewing all external guarantees of the Company and submitting the discussion results to the board of directors for consideration;
- (XVII) formulating and implementing policies of non-audit services provided by the external audit agency (if any). For the purpose of this article, the external audit agency includes any entity under the common control, ownership or management with such audit firm, or a third party who has a reasonable knowledge of all relevant information, which would, therefore, be reasonably concluded to be any entity responsible for part of such audit firm's domestic or international business. The Audit Committee shall report to the board of directors and make recommendations on any action or improvement it deems necessary;
- (XVIII) reviewing the Company's compliance with the Corporate Governance Code under the Hong Kong Listing Rules and the disclosures in the Corporate Governance Report;
- (XIX) other authorities of the Audit Committee under the Hong Kong Listing Rules;
- (XX) other duties as authorized by the board of directors.

**Article 10** The Audit Committee shall be accountable to the board of directors, and shall submit its proposals to the board of directors for consideration and approval.

**Article 11** The Audit Committee shall pay attention to the deposit and use of proceeds and take full consideration of the report of inspection results submitted by the internal audit department.

**Article 12** The authorities of the Audit Committee shall be disclosed on the websites of The Stock Exchange of Hong Kong Limited and the Company for interpretation of its role as well as powers delegated to it by the board of directors.

**Article 13** The Audit Committee shall be provided with sufficient resources to perform its duty, and the senior management of the Company shall support the work of the Audit Committee. The Audit Committee may, if necessary, engage an intermediary to provide independent professional advice for its decision-making, and the reasonable expenses incurred shall be at cost of the Company.

## Chapter 4 Procedures of Meetings

**Article 14** The meetings of the Audit Committee fall into two categories: fixed meetings and extraordinary meetings.

**Article 15** The meetings of the Audit Committee shall be convened at least once in a quarter to review the work plans and reports submitted by the internal audit department. The meetings shall be presided over by the chairman of the Audit Committee. In the event that the chairman fails to attend the meeting, he or she may appoint another independent non-executive director to preside over the meeting in writing.

The Audit Committee shall report to the board of directors at least once in a quarter regarding the progress and quality of the internal audit work and material issues identified.

**Article 16** The chairman has the authority to convene extraordinary meetings of the Audit Committee from time to time in accordance with the needs of the Company's operation.

**Article 17** When convening the fixed meetings of the Audit Committee, the office of the board of directors shall deliver a written meeting notice to all of the members of the Audit Committee and the Secretary to the board of directors by hand, prepaid post, fax or mail 7 days prior to the date of a fixed meeting. If service is made indirectly, confirmation shall additionally be made by telephone and the appropriate record thereof shall be made.

If the notice is sent by hand, the recipient shall affix signature (or seal) to the return on service and the signing date shall be the date of service; if the notice is sent by post, the fifth workday after the date of delivery to the post office shall be the date of service; if the notice is sent by fax, it is deemed to have been delivered when the fax is sent, and the date of dispatch of the fax shall be determined according to the display of the report of the fax machine; if the notice is sent by e-mail, it is deemed to be delivered by entering the e-mail system designated by the recipient.

If the extraordinary meetings are convened by the chairman from time to time, the meeting notice may be given by telephone or by other verbal means at any time, but the convener shall provide an explanation at the meeting.

**Article 18** If a member cannot attend the meeting for some reason, he/she shall entrust other members as proxy in writing to attend the meeting on his/her behalf. The power of attorney shall specify the name of proxy, matters, authority and valid period, and shall be executed or sealed by the principal. The member attending the meeting as a proxy shall exercise the rights of the member as a principal within the scope of authorization.

**Article 19** A meeting of the Audit Committee can be held only when more than 1/2 of the members are present. Each member shall have the voting right of one vote. The meeting resolutions shall be passed by more than half of all the members.

**Article 20** Any member of the Audit Committee who has interests in the matters deliberated in the meeting shall abstain from voting. Where the Audit Committee is unable to form an effective conclusion due to the abstention of such member, such matters shall be directly submitted to the board of directors for consideration. When voting at the meeting of the Audit Committee, the voting is taken by raising hands or written vote, which is determined by the chairman as needed. Extraordinary meeting may be convened by way of voting by correspondence.

**Article 21** Other directors, supervisors and senior management of the Company, external experts, internal auditors, financial officers, legal advisors or other relevant personnel may be invited by the members of the Audit Committee to attend such meetings.

**Article 22** The Audit Committee may request the Company to explain relevant matters and to provide relevant information.

**Article 23** The members of the Audit Committee may, if necessary, engage an intermediary to provide professional advice for its decision-making, and the reasonable expenses shall be at cost of the Company.

**Article 24** The procedures for convening a meeting of the Audit Committee, the voting method and the relevant plans and resolutions passed at such meeting shall be in compliance with the provisions of relevant laws, regulations, the Articles and these terms of reference.

**Article 25** The relevant documents, plans, proposals, resolutions and minutes (records) of the Audit Committee shall be kept by the executing agency of the board of directors for a period of ten years and available for inspection by the director at any time. The resolutions and minutes (records) shall be signed by members attending the meetings. The draft and the final minutes shall be delivered to all members of the Audit Committee successively within a reasonable period of time for their comments and record, respectively.

**Article 26** Resolutions passed at the meeting of the Audit Committee and any voting results shall be reported to the board of directors of the Company in writing.

**Article 27** Members and persons attending the meeting shall undertake confidentiality obligations for all items discussed at the meeting and shall not disclose any relevant information without permission.



## Chapter 5 Supplementary Provisions

**Article 28** These terms of reference were considered and approved by the board of directors of the Company and shall become effective and will be enforced on the date of the listing of overseas listed foreign shares (H shares) issued by the Company on the main board of The Stock Exchange of Hong Kong Limited. From the effective date of these terms of reference, the existing Terms of Reference of Audit Committee under the Board of Directors of Asymchem Laboratories (Tianjin) Co., Ltd. shall lapse automatically.

**Article 29** Any matters not covered by these terms of reference shall be dealt with in accordance with the relevant provisions of the laws, regulations, the Hong Kong Listing Rules and the Articles. In the event that these terms of reference are inconsistent with laws, regulations, the Hong Kong Listing Rules promulgated in the future and the Articles amended by legal procedures, relevant provisions of laws, regulations, the Hong Kong Listing Rules and the Articles shall prevail, and these terms of reference shall be amended forthwith and submitted to the board of directors of the Company for consideration and approval.

**Article 30** The interpretation of these terms of reference shall be vested in the board of directors of the Company.