

YUHUA ENERGY HOLDINGS LIMITED

裕華能源控股有限公司

(formerly known as Shinhint Acoustic Link Holdings Limited 成謙聲匯控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2728)

Audit Committee - Terms of Reference

(Revised and adopted on 23rd March, 2012 and further revised on 31st December 2015)

Constitution

1. The board of directors (“**Board**”) of Yuhua Energy Holdings Limited (“**Company**”) resolved on 25th June, 2005 to establish a committee of the Board to be known as the Audit Committee (“**Committee**”).

Membership

2. The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom should be independent.
3. The chairman of the Committee (“**Chairman**”) shall be appointed by the Board.

Secretary of the Committee

4. Company secretary of the Company shall be the secretary of the Committee (“**Secretary**”).

Frequency of meetings

5. The Committee shall meet at least twice a year.

Notice of meetings

6. Notice of meetings shall be given to all members of the Committee at least 7 days before the meeting unless otherwise agreed by all members of the Committee.

Meetings and Quorum

7. The quorum for a meeting of the Committee shall be 2 members.

8. The Committee may invite any other directors, senior executives, experts and professionals or any other person to attend the meetings of the Committee when necessary.
9. Members of the Committee may participate in a meeting of the Committee by means of a conference telephone.
10. Resolutions of the Committee shall be passed by a simple majority of votes. Each member of the Committee shall have one vote in any meeting of the Committee. In the case of an equality of votes, the Chairman shall have a second or casting vote.
11. A resolution in writing signed by all members of the Committee shall be valid and effectual as if it had been passed at a meeting of the Committee duly convened and held. The resolution in writing may consist of several documents in like form each signed by one or more of the members of the Committee.

Performance of Duties

12. Sufficient resources as reasonably requested by the Committee would be provided to the Committee to perform its duties.

Duties

13. 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, re-appointment 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;
- (c) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (d) 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;

- (e) to ensure that the provision of the non-audit services as stated in paragraph (d) above does not impair the external auditor's independence and objectivity and to consider the suitability of the service provider including its skills and experience and the related fee levels;
- (f) to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;
- (g) to obtain from the audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff;
- (h) to meet with the external auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditor may wish to raise;
- (i) to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

- (j) 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and legal requirements in relation to financial reporting;
- (k) regarding (j) 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 reports 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

- (l) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;
- (m) 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 the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (n) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on the Committee's own initiative and management's response to these findings;
- (o) where an internal audit function exists, to ensure co-ordination between 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;
- (p) to review the Group's financial and accounting policies and practices. Group refers to the Company and its subsidiaries;
- (q) to review arrangements employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (r) to ensure that the Board will provide timely response to the issues raised in the external auditor's management letter;

- (s) to report to the Board on the matters in the code provisions in the Corporate Governance Code adopted by the Company from time to time in respect of the Committee; and
- (t) to consider other topics, as defined by the Board.

Reporting procedures

14. The Secretary shall forward the draft minutes of meeting of the Committee to all members of the Committee for their comment within a reasonable time after the meeting. The final version shall be circulated to all members of the Committee for records. The Secretary should keep full minutes of the meetings.

Revision and review

15. This terms of reference shall be reviewed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Any amendments shall be recommended to the Board for approval.