



China Graphene Group Limited

中國烯谷集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 63)

(hereafter the “Company”)

Audit Committee – Terms of Reference (Revised and adopted by the Board on 29 March 2019)

The English version shall always prevail in case of any inconsistency between the English version and the Chinese translation.

1. Members

- 1.1 The audit committee shall be established by the board of the Company (“**Board**”) and comprise a minimum of three members.
- 1.2 The audit committee shall comprise non-executive directors only, a majority of whom must be independent non-executive directors of the Company, and at least one of whom must possess appropriate professional qualifications or accounting or related financial management expertise.
- 1.3 The chairman of the audit committee must be appointed by the Board and must be an independent non-executive director.
- 1.4 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of its audit committee for a period of 2 years commencing on the later of (a) the date of the person ceasing to be a partner of the firm; or (b) the date of the person ceasing to have any financial interest in the firm.
- 1.5 The terms of appointment of members of the audit committee shall be determined by the Board at the appointment date.

2. Secretary

- 2.1 The company secretary of the Company shall act as the secretary of the audit committee.
- 2.2 The audit committee may from time to time, appoint any other person with appropriate qualification and experience to act as the secretary of the audit committee.

3. Meetings

- 3.1 The audit committee shall meet at least twice a year. The external auditors of the Company can call for a meeting if necessary.
- 3.2 Notice of at least 48 hours should be given for any meeting, unless such notification is waived by all members of the audit committee. Notwithstanding the notice period, the attendance of the member of the audit committee at the meeting would be deemed a waiver of the required notice requirement. If a follow up meeting takes place within 48 hours after the meeting, then no notification is required for such follow up meeting.
- 3.3 The quorum necessary for the transaction of business of the audit committee shall be two members of the audit committee, one of whom must be an independent non-executive director.
- 3.4 Meeting can be attended in person or via electronic means including telephonic or videoconferencing. The members of the audit committee can attend the meeting via telephonic or any similar communication device (all persons attending such meeting should be able to hear from such member via such communication device).
- 3.5 Resolutions of the audit committee shall be passed by a majority of votes of the members in attendance.
- 3.6 A resolution passed and signed by all members is valid, and the validity is same as any resolution passed in the meeting held.
- 3.7 Full minutes of audit committee meeting shall be kept by the secretary of the audit committee. Draft and final versions of minutes of meeting shall be sent to all committee members for their comments and records, within a reasonable time after the meeting. Such minutes shall be open for directors' inspection.

4. Meeting attendance

- 4.1 The members of the audit committee shall meet, at least twice a year, with the Company's external auditors without the attendance from the executive directors (except for the one invited by the audit committee).
- 4.2 Upon the invitation from the audit committee, the following persons can attend the meeting:
(i) Head of internal audit department or (if absence) the representative from internal audit department;
(ii) Group financial controller (or equivalent); and (iii) the other Board members.
- 4.3 Only the members of audit committee can vote in the meeting.

5. Annual General Meetings

The chairman of an audit committee or (if absence) another member of an audit committee (who must be an independent non-executive director) shall attend the annual general meeting of the Company, and be prepared to respond to the shareholders' questions on the activities and responsibilities of the audit committee.

6. Duties and Powers

The audit committee is responsible for reviewing and monitoring the financial reporting process and internal control system of the Company, and shall assist the Board to fulfill its responsibility over the audit process. The audit committee's duties and powers include:

6.1 Relationship with the Company's external auditors

6.1.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditor, and any question of the resignation or dismissal of such auditors;

6.1.2 to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;

6.1.3 to develop and implement policy on engaging external auditors to supply non-audit services. For this purpose, "external auditors" 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 knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally; and

6.1.4 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

6.2 Reviewing the Company's financial information

6.2.1 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if applicable, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these statements and reports before submission to the Board, the audit committee should focus particularly on:

(a) any changes in accounting policies and practices;

(b) major judgemental 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and legal requirements in relation to financial reporting; and

622 Regarding 6.2.1 above:

- (a) members of the audit committee must liaise with the Board and senior management and the audit committee must meet, at least twice a year, with the Company's external auditors; and
- (b) the audit committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and must give due consideration to any matters that have been raised by the Company's staff responsible for accounting and financial reporting function, the Company's compliance officer and external auditors.

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

631 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;

632 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;

633 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 such findings;

634 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;

635 to review the group's financial and accounting policies and practices;

636 to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;

637 to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

638 to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

639 to report to the Board on the matters set out in this Terms of Reference;

63.10 to consider other topics, as defined by the Board; and

63.11 where the Board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

7. Declaration responsibilities

The audit committee has to report to the Board every time after any meeting of the audit committee.

8. Authority

8.1 The Board shall authorise the audit committee to inspect all accounts, reports and records of the Company.

8.2 The audit committee shall have the right to request the management of the Company to provide any information related to the financial position of the Company, its subsidiaries and associates, as may be required for the purpose of discharging its duties.

8.3 The audit committee may seek independent professional advice at the expense of the Company if necessary, in order to discharge its duties.

Note: Arrangement to seek independent professional advice can be made via the company secretary of the Company.

8.4 The audit committee shall be provided with sufficient resources to perform its duties.

Remark: "Senior management" refers to the same persons referred to in the Company's annual report. It is the responsibility of the directors of the Company to determine which individual or individuals constitute senior management. Senior management may include directors of subsidiaries; heads of divisions, departments or other operating units within the group as, in the opinion of the Company's directors, is appropriate.