



InnoScience (Suzhou) Technology Holding Co., Ltd.

英諾賽科(蘇州)科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(the “Company”)

(Stock Code: 2577)

AUDIT COMMITTEE TERMS OF REFERENCE

1. MEMBERSHIP

- 1.1 The audit committee of the Company (the “**Audit Committee**”) is established by the board of directors of the Company (the “**Board**”) and it should comprise of not less than three members.
- 1.2 The Audit Committee should comprise of non-executive directors only. The majority of the Audit Committee members must be independent non-executive directors who meet the independence requirements as stipulated in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) (as amended from time to time). At least one of the members should be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.
- 1.3 The chairman or chairlady of the Audit Committee shall 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 should be prohibited from acting as a member of the Audit Committee for a period of two years from the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.
- 1.5 No member of the Audit Committee shall appoint any alternate to attend the meeting or perform his/her duties.
- 1.6 The terms of appointment of the Audit Committee members should be determined by the Board at the appointment date.
- 1.7 Meetings and proceedings of the Audit Committee shall be governed by the provision of the articles of association of the Company for regulating the proceedings of meetings of the Board.

2. SECRETARY

- 2.1 The joint company secretary of the Company or his/her representative (in his/her absence) 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. NOTICE OF MEETINGS

- 3.1 Unless otherwise agreed by all members of the Audit Committee, the notice of convening a meeting of the Audit Committee shall be issued not less than two working days before the meeting.
- 3.2 The notice of meeting shall state the date, time and venue of the meeting. An agenda or other documents required to be considered by the members of the Audit Committee shall also be attached to the notice.
- 3.3 Due notice should be given for any meeting, unless such notification is waived by all members of the Audit Committee. Notwithstanding the notification period, the attendance of the members of the Audit Committee at a meeting would be deemed to be treated as the waiver of the required notification requirement.

4. QUORUM AND ATTENDANCE AT MEETINGS

- 4.1 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.
- 4.2 The financial controller and other person-in-charge of finance shall normally attend meetings. As the Audit Committee requested, representatives of the external auditor may be invited. However, at least once a year the Audit Committee shall meet with the external auditor without executive Board members present.
- 4.3 Upon the invitation from the Audit Committee, the following persons can attend the meeting:
 - 4.3.1 (i) head of internal audit department or (if absent) the representative from internal audit department; (ii) senior financial manager (or equivalent); and (iii) the other Board members.
- 4.4 Meeting can be attended in person or via electronic means including telephone or videoconferencing. The members of the Audit Committee can attend the meeting via telephone or any similar communication device (all persons attending such meeting should be able to hear from such member via such communication device).

5. FREQUENCY OF MEETINGS

- 5.1 The Audit Committee should meet at least twice a year. The Board, members of the Audit Committee or the external auditors of the Company may demand additional meetings if necessary.

6. VOTE

- 6.1 Only the members of the Audit Committee can vote in the meeting.
- 6.2 Resolutions of the Audit Committee should be passed by more than half of its members. In the case of an equality of votes, the chairman or chairlady of the Audit Committee shall have a second vote or casting vote.
- 6.3 A resolution passed and signed by all members of the Audit Committee is valid, and the validity is the same as any resolution passed in the meeting convened.

7. ANNUAL GENERAL MEETINGS

- 7.1 The chairman or chairlady of the Audit Committee or (if absent) the other member of the Audit Committee (which must be an independent non-executive director) should attend the annual general meeting of the Company to address the shareholders' enquiry on the activities and responsibilities related to the Audit Committee.

8. DUTIES AND POWERS

- 8.1 The duties and powers of the Audit Committee shall include such duties and powers as provided in the Listing Rules. Without prejudice to the foregoing, the Audit Committee shall have the following duties and powers:

Relationship with the Company's external auditors

- 8.1.1 to be primarily responsible for making recommendations 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 issues related to its resignation or dismissal;
- 8.1.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

in order to fulfill its independence investigation of the external auditor, the Committee is required to complete the following tasks: to study the relationship between the Company and the auditor under consideration (including non-audit services); to obtain information annually from the auditor regarding the auditor's compliance with requirements relating to maintaining its independence and monitoring, including requirements relating to rotation of audit partners and staff; and to meet with the external auditor at least once a year in the absence of management, in order to discuss issues relating to the audit fee, any problems arising from the audit and any other matters that the auditor wishes to raise;

- 8.1.3 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;
- 8.1.4 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

8.1.5 to monitor integrity of the Company’s financial statements and annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them, focusing particularly on possible fraud, malpractice and material misstatement in relation to financial statements and reports. In reviewing these reports before submission to the Board, the Audit Committee should 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 Listing Rules and legal requirements in relation to financial reporting; and

8.1.6 Regarding paragraph 8.1.5 above:

- (a) members of the Audit Committee should 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 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 and auditors;

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

- 8.1.7 to review the Company's financial controls, and unless expressly addressed by a separate risk committee of the Board, or by the Board itself, to review the Company's risk management and internal control systems;
- 8.1.8 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 programs and budget of the Company's accounting and financial reporting functions;
- 8.1.9 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;
- 8.1.10 to review the Company's internal audit function 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;
- 8.1.11 to participate in the assessment of the person in charge of internal audit;
- 8.1.12 to review the group's financial and accounting policies and practices;
- 8.1.13 to review the external auditors' management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of risk management and control and management's response;
- 8.1.14 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 8.1.15 to review the Company's risk management strategy and significant risk management solutions;
- 8.1.16 to be responsible for the confirmation of the list of connected persons (as defined in the Listing Rules) of the Company, the general review of the connected transactions and the periodic review of the overall situation of the Company's connected transactions;
- 8.1.17 to be responsible for assessing and determining the Company's environmental, social and governance risks and to ensure that the Company has in place an appropriate and effective system of environmental, social and governance risks and internal controls;
- 8.1.18 to appoint or dismiss the person-in-charge of finance of the Company and submit it to the Board for deliberation;
- 8.1.19 to make changes in accounting policies, changes in accounting estimates or corrections to major accounting errors due to reasons other than changes in accounting standards, and submit them to the Board for deliberation;

8.1.20 to report to the Board on the matters in the code provision under Appendix C1 of the Listing Rules;

Others

8.1.21 to act as the key representative body for overseeing the Company's relationship with the external auditor;

8.1.22 to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, 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; and

8.1.23 to consider other topics, as defined by the Board from time to time.

8.2 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.

8.3 The duties of the chairperson of the Committee shall be:

8.3.1 to convene and preside over meetings of the Committee;

8.3.2 to supervise and inspect the work of the Committee and the implementation of its resolutions;

8.3.3 to sign the relevant documents of the Committee;

8.3.4 to report to the Board of the Company on the work of the Committee;

8.3.5 to attend the annual general meeting of the Company and to answer shareholders' questions on matters relating to the duties of the Committee. In the event that the chairperson of the Committee is unable to attend the annual general meeting, another member or a duly appointed proxy shall attend;

8.3.6 other duties required or delegated by laws and regulations, the listing rules and other relevant regulatory rules of the place of listing, these Rules and the Board.

8.4 The main duties of members shall be:

8.4.1 to attend meetings of the Committee on time, express opinions on matters discussed at meetings and exercise voting rights;

8.4.2 to propose topics for discussion at Committee meetings;

8.4.3 in order to perform their duties, they may attend or observe relevant meetings of the Company, conduct investigation and research, and obtain relevant information such as required reports, documents and data;

8.4.4 to be fully aware of the duties of the Committee and their own duties as members of the Committee, and to be familiar with the state of operation and management, business activities and developments of the Company relevant to their duties, so as to ensure their ability to fulfill their duties;

8.4.5 to fully guarantee their working time and energy to perform their duties;

8.4.6 other duties required or delegated by laws and regulations, the listing rules and other relevant regulatory rules of the place of listing, these Rules and the Board.

9. REPORTING PROCEDURE

9.1 The Audit Committee shall report to the Board on its decisions or recommendations after each of its meetings, subject to legal or regulatory restrictions.

9.2 The Audit Committee should make a statement in the annual report about its activities, how it met its responsibilities in its review of the quarterly (if relevant), half-yearly and annual results, its review of the risk management and internal control systems (unless expressly addressed by a separate risk committee, or the Board), the effectiveness of the Company's internal audit function, details of non-compliance with Rule 3.21 of the Listing Rules (if any) and an explanation of the remedial steps taken by the Company to address non-compliance with establishment of an audit committee.

9.3 Full minutes of the Audit Committee meetings should be kept by the joint company secretary or the duly appointed secretary of the Audit Committee and be available for review by the directors. Draft and final versions of minutes of the meeting should be sent to all members of the Audit Committee for their comments and records, within a reasonable time after the meeting.

10. AUTHORITY

10.1 The Board should authorize the Audit Committee to inspect all accounts, reports and records of the Company.

10.2 In order to fulfill its duties, the Audit Committee is eligible to request the management of the Company to provide any figures related to the financial status of the Company, its subsidiaries and associates.

10.3 The Audit Committee should have access to independent professional advice at the Company's expense, if necessary, to perform its responsibilities.

10.4 The Audit Committee should be provided with sufficient resources to perform its duties.

Note: "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.