



MANFIELD
MANFIELD CHEMICAL HOLDINGS LIMITED
萬輝化工控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1561)
(the “Company”)

**Terms of reference
of
Audit Committee
(the “Committee”)**

Adoption Date : 6 November 2015

Membership

1. The Committee shall consist of at least three directors, all of whom shall be non-executive directors with majority of independent non-executive directors appointed by the board of directors (the “Board”) from time to time. At least one member of the Committee must have appropriate professional qualifications or accounting or related financial management expertise.
2. The Board shall appoint one of the members who is an independent non-executive director as the Chairman of the Committee.
3. The company secretary of the Company or a nominee shall be the Secretary of the Committee.

Frequency and proceedings of meeting

4. The Committee should meet at least twice per year. Additional meetings shall be held as the work of the Committee demands.
5. The Chairman of the Committee may convene additional meetings at his discretion.
6. The quorum of the Committee meeting shall be two members of the Committee.
7. Proceedings of meetings of the Committee shall be governed by the provisions of the Articles of Association of the Company.

Authority

8. The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee.
9. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
10. The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules, regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
11. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
12. The Committee is to be provided with sufficient resources to discharge its duties.

Responsibility

13. The Committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time.
14. The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Company and its subsidiaries (the "Group"), as to the adequacy of the external and internal audits, and as to the compliance by the Group of all relevant laws, rules, guidelines and regulations applicable to the Group from time to time.

Functions

15. The Committee is to:
 - (a) consider the appointment of the external auditors, the performance of the external auditors, the audit fee, and any questions of resignation or dismissal;

- (b) review with the Group's management, external auditor and internal auditor, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the Director to be included in the annual accounts prior to endorsement by the Board;
- (c) familiarise with the financial reporting principles and practices applied by the Group in preparing its financial statements;
- (d) prior to audit commencement, review the scope of the external audit, including the engagement letter. The Committee should understand the factors considered by the external auditor in determining their audit scope. The external audit fees are to be negotiated by management, and presented to the Committee for review and approval annually;
- (e) review the annual and interim financial reports prior to approval by the Board, with particular focus on:-
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption and any qualifications;
 - (v) compliance with accounting and auditing standards, and
 - (vi) compliance with the listing requirements of The Stock Exchange of Hong Kong Limited and legal requirements;
- (f) review the draft representation letter to approval by the Board;
- (g) evaluate the cooperation received by the external auditor, including their access to all requested records, data and information; obtain the comments of management regarding the responsiveness of the external auditor to the Group's needs; inquiry of the external auditor as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;
- (h) seek from the external auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;

- (i) discuss with the external auditor any recommendations arising from the audit (if necessary in the absence of management); and review the draft management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control including management's response to the points raised;
- (j) ensure that the Board will provide a timely response to issues raised in the external auditor's management letter;
- (k) review and monitor the scope, effectiveness and results of internal audit function, ensure co-ordination between the internal and external auditor and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;
- (l) the engagement of the external auditor to perform non-audit services is in general prohibited except for tax-related services. If a compelling reason exists to engage the external auditor due to their unique expertise in a particular area, the prior approval of the Committee is required;
- (m) discuss with management the scope and quality of internal control and risk management systems;
- (n) discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget;
- (o) establish, maintain and approve the compliance system of the Group and monitor the status of the compliance system;
- (p) organize education and training programmes on compliance, including compliance seminars;
- (q) investigate compliance problems and take appropriate measures when one arises (it may instruct the relevant department(s) to deal with the problem depending on its nature);
- (r) delegate the day-to-day implementation and monitoring of compliance system to the compliance officer;
- (s) apprise the Board of significant developments in the course of performing the above duties;
- (t) recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee;

- (u) arrangements for employees of the Company to raise concerns about financial reporting improprieties;
- (v) review the findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules, and regulations;
- (w) establish a whistleblowing policy and system;
- (x) approve the policies relating to the hiring of employees or former employees of the external auditor and monitor the applications of such policy. The Committee will consider whether as a result of such hiring there has been any impairment of the auditor's judgment or independence in respect of an audit; and
- (y) consider other topics, as requested by the Board.

Reporting Procedures

16. The Secretary of the Committee shall circulate the minutes of the Committee meetings, reports of the Committee and relevant information to all directors of the Company.