



XINYANG MAOJIAN GROUP LIMITED

信陽毛尖集團有限公司

(formerly known as China Zenith Chemical Group Limited 中國天化工集團有限公司)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 362)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The Audit Committee (the “**Committee**”) is established as a committee of the board of Directors (the “**Board**”) of XINYANG MAOJIAN GROUP LIMITED (the “**Company**”).

(1) MEMBERSHIP

- (a) The members of the Committee shall be appointed by the Board. The Committee shall consist of at least three members and comprise a majority Independent Non-executive Directors (“**INEDs**”) of the Company and a least one INED shall have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Listing Rules**”). The Board shall, from time to time, vary the composition of the Committee to comply with the requirement of the Listing Rules.
- (b) The chairman of the Committee shall be an Independent Non-executive Director and a member of the Committee shall be appointed by the Board.
- (c) A former partner of the Company’s existing auditing firm from time to time may not act as a member of the Committee for a period of two years commencing on the date of his ceasing (i) to be a partner of the firm or (ii) to have any financial interest in the firm, whichever is later.

(2) ATTENDANCE

- (a) The quorum of a meeting of the Committee shall be two members.
- (b) The Committee may request any Director, chief executive, financial controller, manager of the finance department (or person occupying the same position), the head or a representative of the internal audit department and external advisers or, where appropriate, any other person to attend its meetings. External auditors will also be invited to attend meetings of the Committee on a regular basis.

- (c) Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of communicating with each other.
- (d) Unless otherwise agreed by all the Committee members, a meeting shall be called by at least seven working days' notice.
- (e) Only Committee members shall have the right to vote at meetings.

(3) FREQUENCY OF MEETINGS

- (a) Meetings of the Committee shall be held at least twice a year. Any member of the Committee may request a meeting if he/they consider(s) that one is necessary.
- (b) Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be issued to each member of the Committee and any other person required to attend no fewer than seven working days prior to the date of the meeting.

(4) SECRETARY

The Company Secretary (or in his absence, his duly appointed representative or any one member of the Committee) shall be the secretary of the Committee's meetings.

(5) THE COMMITTEE'S RESOLUTIONS

- (a) Resolutions of the Committee shall be passed by a majority of votes.
- (b) Within a reasonable period of time after the meeting, both of the draft and final versions of minutes shall be circulated to all members of the Committee for their comment and records respectively. Full minutes of the meeting should be kept by the secretary of the Committee.
- (c) A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held and may consist of several documents in like form each signed by one or more of the members of the Committee. Such resolution may be signed and circulated by fax or other electronic communications.

(6) AUTHORITY

- (a) The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it reasonably requires from any employee in order to perform its duties. All employees are directed to co-operate with any reasonable request made by the Committee.
- (b) The Committee is authorised by the Board, at the Company's expense, to appoint legal or other independent professional advisers with relevant experience and expertise to assist the Committee. The Committee shall have full authority to commission any reports or surveys which it considers necessary to help it fulfill its obligations.
- (c) The Committee is authorised to require management to provide it with such resources as may be necessary for it to discharge its duties.
- (d) The Committee shall consult the chairman and/or chief executive officer of the Company about their proposals relating to the audit of other executive Directors.

(7) DUTIES

The duties of the Committee shall include the following aspects:

Relationship with the Company's External Auditors

- (a) 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 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 and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (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 report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

- (f) to monitor integrity of the Company's financial statements, 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 shall focus particularly on:
 - (A) any changes in accounting policies and practices;
 - (B) major judgemental areas;
 - (C) significant adjustments resulting from the 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;
- (g) Regarding to 7(f) above:
 - (A) 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
 - (B) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such 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 auditor;

Oversight of the Company's financial reporting system and internal control procedures

- (h) to review the Company's financial controls, internal control and risk management systems;
- (i) to discuss the risk management and internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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;
- (j) 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 these findings;
- (k) to ensure co-ordination between the internal and external auditors, and to ensure that internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

- (l) to review the group's financial and accounting policies and practices;
- (m) to review the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and management's response;
- (n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) to report to the Board on the matters in these Terms of Reference;
- (p) to consider any other matters specifically referred to the Committee by the Board; and
- (q) to review arrangements the Group's employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.

Corporate Governance Functions

- (r) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (s) to review and monitor the training and continuous professional development of Directors and senior management;
- (t) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (u) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (v) to review the Company's compliance with the Corporate Governance Code and disclosure in the Company's corporate governance report.

(8) REPORTING PROCEDURES

The secretary of the Committee shall circulate the minutes of meetings of the Committee to all members of the Board. The chairman of the Committee shall report the findings and recommendations of the Committee to the Board.

(9) ANNUAL GENERAL MEETING

The chairman of the Committee, or in the absence of the chairman, another member of the Committee or failing this his duly appointed delegate, shall be available to answer questions at the annual general meeting of the Company.

(10) PUBLICATION OF THE TERMS OF REFERENCE

The terms of reference will be posted on the websites of the Company and The Stock Exchange of Hong Kong Limited.

Date of first adoption: 8 April 2001

Date of revision: 21 October 2006, 21 March 2012, 31 December 2018

In the event of any inconsistency between the English version and the Chinese version of these terms of reference, the English version shall prevail.