



浙江升華蘭德科技股份有限公司

SHENGHUA LANDE SCITECH LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 8106)

Terms of Reference of Audit Committee

Members: Ms. Huang Xuanzhen (*Chairman*)
Mr. Cai Jiamei
Mr. Chen Ping

Terms of reference

Members

1. The members of the audit committee (the “**Audit Committee**”) of Shenghua Lande Scitech Limited* (the “**Company**”) shall be appointed by the board (the “**Board**”) of directors (the “**Director(s)**”) of the Company from amongst the non-executive Directors and shall comprise not less than three members.
2. At least one of the members of the Audit Committee shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under the relevant Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”). The majority of the Audit Committee members shall be independent non-executive Directors.
3. A former partner of the Company’s current auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of two years from the date of his ceasing to be a partner of the firm or to have any financial interests in the firm, whichever is later.
4. The chairman of the Audit Committee shall be an independent non-executive Director appointed by the Board.
5. The quorum for meetings of the Audit Committee shall be two members.

Secretary

6. The Board secretary or company secretary shall be the secretary of the Audit Committee.

Attendance

7. The chief financial officer, the head of internal audit and a representative of the external auditors shall normally attend meetings. Other members of the Board may also attend meetings of the Audit Committee.

Frequency of meetings

8. The Audit Committee shall meet at least four times a year.
9. The Audit Committee shall normally meet twice a year with the external auditors without any executive Directors being present. The external auditors may request a meeting should they consider necessary.

Authorities and duties

10. The Audit Committee may be authorised by the Board to investigate activities within its terms of reference. It may also be authorised to seek any data it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
11. The Audit Committee is authorised by the Board to seek outside legal or other independent professional advice. If the Audit Committee considers necessary, it may also secure the attendance of any person with relevant experience and expertise at any meeting.
12. The Audit Committee should establish a whistleblowing policy and system for employees and those who deal with the Company and its subsidiaries (the “**Group**”) (e.g. customers and suppliers) to raise concerns, in confidential, with the Audit Committee about possible improprieties in any matter related to the Group.
13. The duties of the Audit Committee are:
 - (1) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any questions of its resignation or dismissal;
 - (2) to review and monitor the external auditors’ independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences. The Audit Committee should ensure co-ordination between auditing firms should more than one auditing firm be involved;
 - (3) to develop and implement policy on engaging external auditors to supply non-audit services. For this purpose, the Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- (4) to monitor integrity of the Company's financial statements and the annual report and accounts, interim report and quarterly reports, and to review significant financial reporting opinion contained in them. 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 GEM Listing Rules and other legal requirements.

In performing its duties set out in this paragraph, the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the quarterly, half-yearly and annual reports and accounts. It should give due consideration to any matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors. In addition, the Audit Committee members should liaise with the Board and senior management;

- (5) to oversee the Group's financial reporting system, risk management and internal control systems:
- a. to review the Group's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Group's risk management and internal control systems;
 - b. 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 Group's accounting and financial reporting function;
 - c. 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;
 - d. where an internal audit function exists in the Company, 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 Group, and to review and monitor its effectiveness;

- e. the head of internal audit is directly accountable to the Audit Committee and the Board. The Audit Committee shall review the internal audit report and report to the Board and make recommendations;
 - f. to review the Group's financial and accounting policies and practices;
 - g. to review the external auditors' management letter, any material queries raised by the auditors to the management about accounting records, financial accounts or systems of control and management's response;
 - h. to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
 - i. to ensure and to review that there are proper arrangements employees of the Group 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; and
 - j. to act as the key representative body for overseeing the Company's relation with the external auditors;
- (6) to report regularly to the Board on the matters set out in these terms of reference, including its decisions and recommendations; and
- (7) to discuss other topics as specified by the Board.

Meeting arrangement

14. Meetings of the Audit Committee should be conducted through attendance of the members in person (including by means of real-time communication methods such as telephone/video system), and the attending members should adopt the rule of "Few Obey the Majority" to make decisions and approvals on relevant matters. Members of the Audit Committee may also adopt the method of circulating (by e-mail, fax or any other means of communication) and signing written resolutions or other non-real time communication methods deemed appropriate by the Audit Committee to approve relevant resolutions (which should be unanimously passed by all members).

Minutes of meetings

15. Minutes of meetings of the Audit Committee shall be kept by the secretary of the meeting (the Board secretary or company secretary). Draft and final versions of the minutes shall be sent to all members of the Audit Committee for their comment and record within a reasonable time after the meeting.

Performance review

16. The Audit Committee shall review its performance annually with reference to the authorities and duties set out herein and submit to the Board for review and approval.

Others

17. The terms of reference of the Audit Committee shall be posted both on the Company's website and the website of The Stock Exchange of Hong Kong Limited.

* *For identification purposes only*