

# **Sino-Synergy Hydrogen Energy Technology (Jiaxing) Co., Ltd.**

## **Rules of Procedures for the Audit Committee of the Board of Directors**

### **Chapter 1 General Provisions**

- Article 1 For the purpose of standardizing the decision-making mechanism of the Board of Directors of Sino-Synergy Hydrogen Energy Technology (Jiaxing) Co., Ltd. (the “Company”), strengthening the decision-making function of the Board, facilitating pre-audit and professional audit, ensuring the effective supervision of the Board over the management, and improving the corporate governance structure, the Audit Committee of the Board of Directors has been established, and the Rules of Procedures have been formulated in accordance with the Company Law of the People’s Republic of China, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), the Articles of Association of Sino-Synergy Hydrogen Energy Technology (Jiaxing) Co., Ltd.(the “**Articles of Association**”), and the Rules of Procedures for the Board of Directors of Sino-Synergy Hydrogen Energy Technology (Jiaxing) Co., Ltd. (the “**Rules of Procedures for the Board**”) as well as other relevant provisions.
- Article 2 The Audit Committee is a special committee set up under the Board, which exercises its functions and powers within the scope prescribed in the Articles of Association and authorized by the Board, and is mainly responsible for the communication, supervision and verification of internal and external audit of the Company.
- Article 3 The Audit Committee is liable to the Board and reports to the Board. The Company shall provide necessary working conditions for the Audit Committee, and the management and other relevant departments of the Company shall cooperate with the Audit Committee when it performs its duties.

### **Chapter 2 Composition**

- Article 4 The Audit Committee shall consist of not less than three directors, all of whom shall be non-executive directors, and the majority of whom shall be independent non-executive directors. At least one member shall be an independent non-executive director with appropriate professional qualifications under Article 3.10(2) of the Hong Kong Listing Rules or with appropriate accounting or related financial management expertise (the “**Accounting Professional**”).

The former partner of the Company’s current external audit institution shall not serve as a member of the Audit Committee for a period of two years from the date on which he ceases to be the partner of the external audit institution or ceases to enjoy the financial interests of the external audit institution, whichever is later.

- Article 5 Members of the Audit Committee shall be elected by the Board.
- Article 6 The Audit Committee shall be chaired by an independent non-executive director appointed by the Board.

Article 7 Audit Committee members shall have the same tenure as the Directors. The members can be re-elected upon the expiration of the term of office. During the period, if a member ceases to be a director of the Company or is unable to serve as a director for other reasons, or a member who should have the status of an independent non-executive director no longer possesses the independence required by the relevant laws and regulations, the Hong Kong Listing Rules or the Articles of Association, he/she shall automatically lose his/her membership, and the vacancy shall be filled by the member elected by the Board in accordance with Article 5 of the Rules of procedure. The change of members shall be approved by resolution of the Board.

Article 8 The Secretary of the Audit Committee shall be the Company Secretary or any person appointed by the Audit Committee from time to time. An audit working group shall be established as the executing agency of the Audit Committee, which is responsible for the organization of meetings and other daily works and contacts.

### **Chapter 3 Main Duties**

Article 9 The main duties and powers of the Audit Committee are as follows:

#### **Relationship with external auditor**

- (I) To advise the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and to deal with any issues related to the resignation or dismissal of the auditor;
- (II) To review and monitor the independence and objectivity of the external auditor and the effectiveness of the audit process against applicable standards; to discuss with the auditor the nature and scope of the audit and the reporting obligations before the audit begins;
- (III) To develop and implement the policies related to the provision of non-audit services by the external auditor. For this purpose, an external auditor includes any entity which is under the same control, ownership or management as the company responsible for the audit, or which would be reasonably concluded by a third party with reasonable knowledge of all relevant information to be a part of the local or international business of the company responsible for the audit. The Audit Committee shall report to the Board and make recommendations on matters it considers necessary to take action or improve;

## **Review on the financial information of the Company**

- (IV) To monitor the integrity of the financial statements and annual reports and accounts, interim reports and quarterly reports (if to be published) of the Company, and review the material comments on the financial reporting contained in the statements and reports. The Audit Committee shall in particular review the following matters before submitting the relevant statements and reports to the Board:
- (1) any change in the accounting policies and practices;
  - (2) any issue involving important judgment;
  - (3) any major adjustment resulting from audit;
  - (4) assumptions of going concern and any qualified opinion;
  - (5) compliance with accounting standards; and
  - (6) compliance with the Hong Kong Listing Rules and other relevant laws and regulations.
- (V) For the purpose of Item (IV) above:
- (1) The Audit Committee members shall keep in contact with the Board and senior officers of the Company. The Audit Committee shall meet the external auditor of the Company at least twice each year; and
  - (2) The Audit Committee shall give due consideration to any material or unusual matters reflected or required to be reflected in such reports and accounts, and to any matters raised by any of the accounting and financial reporting staff, inspector or auditor.

## **Supervision on the financial reporting system, risk management and internal control system of the Company**

- (VI) To review the financial control of the Company and (unless there is a separate risk committee under the Board or the Board itself explicitly deals with it) to review the risk management and internal control systems of the Company;
- (VII) To discuss the risk management and internal control system with the management to ensure that the management has fulfilled its duties to establish and maintain an effective system. The discussion shall include the consideration of the adequacy of the resources, qualifications and experience of the employees in the accounting and financial reporting functions as well as the adequacy of the training courses received by the employees and the relevant budgets;
- (VIII) To study the important findings on risk management and internal control matters and management's response initiatively or at the request of the Board;

- (IX) To ensure that the coordination of the work of the internal and external auditors if the Company has an internal audit function, ensure that the internal audit function is adequately resourced and has appropriate status within the Company; and review and monitor the effectiveness of the internal audit function;
- (X) To review the financial and accounting policies of the Group and the relevant practice;
- (XI) To examine the Audit Status Note issued to the management by the external auditor, any material questions raised by the auditor to the management in relation to the accounting records, financial accounts or monitoring systems and the response of the management;
- (XII) To ensure that the Board responds in a timely manner to the matters raised in the Audit Status Note from the external auditor to the management;
- (XIII) To report to the Board on matters relating Appendix 14 of the Hong Kong Listing Rules (and its provisions amended from time to time);
- (XIV) To study other issues defined by the Board;
- (XV) To review the following arrangements of the Company: Employees of the Company may secretly raise concerns about financial reporting, internal control, or other possible misconducts. The Audit Committee shall ensure that appropriate arrangements are in place for the Company to conduct impartial and independent investigations and take appropriate action in respect of such matters;
- (XVI) To represent the Company when dealing with the external auditor and monitor the relationship between the two; and
- (XVII) To handle other matters as authorized by the Board.

The Audit Committee shall publish its terms of reference on the website of the Stock Exchange of Hong Kong Limited and on the Company's website, explaining its role and the powers delegated to it by the Board.

Article 10 The Audit Committee shall be accountable to the Board. Its proposals shall be submitted to the Board for deliberation and decision. The Audit Committee shall cooperate with the Supervisory Committee in its supervisor auditing activities.

Article 11 The main responsibilities and powers of the chairman of Audit Committee are as follows:

- (I) to convene and host the meetings of the Audit Committee;
- (II) to preside over the daily work of the Audit Committee;
- (III) to examine and sign the reports and other important documents of the Audit committee;

- (IV) to examine the implementation of the resolutions and recommendations of the Audit Committee;
- (V) to report to the Board on behalf of the Audit Committee;
- (VI) to attend the annual general meeting and answer questions about the work and responsibilities of the Audit Committee on behalf of the Audit Committee; and
- (VII) other duties to be performed by the Chairman of the Audit Committee.

If the chairman of the Audit Committee is unable to perform his or her duties for any reason, he or she shall designate a member to act as his or her replacement.

Article 12 The Audit Committee shall publish its terms of reference, explaining its role and the powers delegated to it by the Board.

Article 13 The Audit Committee is authorized by the Board to investigate any activity within the terms of reference. The Audit Committee has the right to obtain any information from any employee, and all employees are required to cooperate regarding any request made by the Audit Committee.

Article 14 The Board authorizes the Audit Committee to obtain external legal or other independent professional advice at the expense of the Company, and, where appropriate, to request any person with relevant experience or expertise to participate in the Audit Committee meetings.

#### **Chapter 4 Decision-making Procedures**

Article 15 The audit working group shall complete the preparations for the decision-making of the Audit Committee and provide the relevant written materials of the Company:

- (I) The relevant financial reports of the Company;
- (II) The work reports of the internal auditor and external auditor;
- (III) The external audit contracts and the relevant work reports;
- (IV) The external information disclosure of the Company;
- (V) The audit reports on the major connected transactions of the Company;
- (VI) The risk management and internal control systems of the Company; and
- (VII) Other relevant matters.

Article 16 The Audit Committee shall review the following matters at its meetings and submit the relevant written resolution materials to the Board for discussion:

- (I) The evaluation on the performance of the external auditor; the appointment and replacement of the external auditor;
- (II) Whether the internal audit system of the Company has been effectively implemented, and whether the financial reports of the Company are true and complete;
- (III) Whether the financial reports and other information disclosed by the Company are objective and true; whether the major connected transactions of the Company comply with the relevant laws and regulations;
- (IV) The evaluation on the performance of the internal financial department and the Audit Department (including its head);
- (V) The adequacy of risk management and internal control systems of the Company; and
- (VI) Other relevant matters.

## **Chapter 5 Meeting Procedures**

Article 17 Meetings of the Audit Committee are composed of regular meetings and extraordinary meetings. Regular meetings shall be held at least twice a year, or at such frequency as required by the Hong Kong Listing Rules or other regulatory requirements applicable to the Company from time to time, to review and discuss the interim and annual financial statements of the Company. Extraordinary meetings shall be held at the proposal of the Audit Committee members. Notice of a regular meeting shall be given to all members three days before the meeting(excluding the day of the meeting) or such other time limit as may be proposed by members, and notice of an extraordinary meeting shall be given to all members two days before the meeting(excluding the day of the meeting). In case of emergency where the Audit Committee needs to convene a meeting as soon as possible, the meeting notice can be sent by telephone, fax or email on the meeting day, but the chairman of the Audit Committee shall make an explanation at the meeting. The meeting of the Audit Committee shall be convened by the chairman of the Audit Committee. If the chairman of the Audit Committee is unable to perform the duty for any reason, the meeting shall be convened by other members designated by the Chairman of the Audit Committee; If the chairman of the Audit Committee does not designate an agent, the meeting shall be convened by another member of the Audit Committee.

The Audit Committee shall convene an extraordinary meeting under any of the following circumstances:

- (I) when proposed by the Board;
- (II) when proposed by the chairman of the Audit Committee;
- (III) when proposed by more than two members;
- (IV) when proposed by the chairman of the Board; and
- (V) when proposed by the external auditor.

Article 18 A meeting of the Audit Committee shall be held only when attended by more than two-thirds of the members. A meeting of the Audit Committee shall be attended by members in person or by teleconference or with the help of similar communication equipment. If any member is unable to attend the meeting for any reason, he/she may authorize in writing another member to attend the meeting and vote thereat on his/her behalf. Where a member authorizes another member to attend the meeting, he/she shall deliver a written power of attorney stating the authority of the authorized member. A member who neither attend in person nor authorize another member to attend on his/her behalf shall be regarded to have waived his/her right to vote thereat.

Article 19 Each Audit Committee member shall be entitled to one vote. Voting opinions are divided into three categories: agreement, abstention, and disagreement. Those who disagree should indicate their reasons for doing so. Resolutions put forward at the Audit Committee meetings shall be approved by more than half of all the members. When the Audit Committee votes on a matter, the member interested with the matter abstain from voting. Voting at meetings of the Audit Committee shall be conducted by a show of hands or by poll; extraordinary meetings may be held by voting through correspondence.

Article 20 The head of Audit Working Group may be present at the Committee meeting. The directors, supervisors and other managers of the Company may be invited to the meeting when necessary.

Article 21 If necessary, the Audit Committee can seek professional advice from intermediaries, with the cost assumed by the Company.

Article 22 The holding procedures of the Audit Committee meeting, the voting methods and the resolutions passed by the meeting shall comply with the relevant laws, regulations, the Hong Kong Listing Rules, Articles of Association and the Rules of Procedures. The meeting of Audit Committee shall have meeting minutes, which shall be reviewed and signed by the members attending the meeting. The meeting minutes shall be maintained by the Company Secretary.

Article 23 If any Director has given reasonable notice, the Company Secretary shall make the meeting minutes available for inspection at any reasonable time. The first draft and final version of the meeting minutes shall be sent to all members of the Audit Committee within a reasonable time after the meeting. The first draft shall be used for the members to express their views and the final version shall be used as the meeting minute.

Article 24 Unless restricted by legal or regulatory restrictions, the recommendations, motions and voting results adopted by the Audit Committee at its meetings shall be reported in writing to the Board.

Article 25 All members and persons attending the meeting or present at the meeting shall keep confidential all matters discussed at the meeting and shall not disclose any relevant information without authorization.

## **Chapter 6 Miscellaneous**

Article 26 The terms “above”, “at least” and “over” in the Rules of Procedures include the number following them.

Article 27 The Rules of Procedures shall be effective from the date of the initial public offering and listing of H shares of the Company in Hong Kong after it has been considered and approved by the Board meeting.

Article 28 Matters not covered herein shall be implemented in accordance with relevant Chinese laws and regulations, the Articles of Association, the Hong Kong Listing Rules and other applicable laws and regulations of Hong Kong. In case of any conflict between the Rules of Procedures and the laws and regulations promulgated in the future, the Articles of Association modified through legal procedures, or the Hong Kong Listing Rules amended from time to time, the relevant laws and regulations, the Articles of Association and the Hong Kong Listing Rules shall prevail, and the Rules of Procedures shall be revised in a timely manner and submitted to the Board meeting for consideration and approval.

Article 29 Interpretation right of the Rules of Procedure shall be reserved to the Board of the Company.