



Henan Jinyuan Hydrogenated Chemicals Co., Ltd.*

河南金源氢化化工股份有限公司

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

(Stock Code: 2502)

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. Constitution

Henan Jinyuan Hydrogenated Chemicals Co., Ltd.* (the “**Company**”) has established the Audit Committee and formulated these terms of reference (the “**Terms of Reference**”) pursuant to resolutions of the board (the “**Board**”) of directors (the “**Directors**”) of the Company in compliance with the Corporate Governance Code under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

2. Composition

2.1 The Audit Committee shall be appointed by the Board and must consist of a minimum of three members (the “**Members**”).

2.2 Membership shall be confined to non-executive Directors, the majority of which must be independent non-executive Directors (“**INEDs**”), and at least one INED with appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules (including any amendment thereto).

2.3 The chairman of the Audit Committee shall be appointed by the Board and must be an INED.

2.4 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member of the Audit Committee of the Company for a period of two years from the later of:

- (a) the date of his/her ceasing to be a partner of the firm; or
- (b) the date of his/her ceasing to have any financial interest in the firm.

3. Secretary

- 3.1 The Company Secretary of the Company or his/her delegate shall be the secretary of the Audit Committee.
- 3.2 The Audit Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Audit Committee.

4. Meetings

- 4.1 The Audit Committee shall meet at least twice a year. The Chairman of the Audit Committee of the Company or the external auditor of the Company may request through notice that a meeting be held if it considers it necessary.
- 4.2 The quorum of the Audit Committee shall be any two Members.
- 4.3 Full minutes of meetings or written resolutions shall be kept by the secretary of the Audit Committee. Draft and final versions of minutes shall be circulated to all Members for their comment and records within a reasonable period of time after a meeting.

5. Attendance at Meetings

Members of the Board may attend meetings of the Audit Committee although only Members are entitled to vote at the meetings.

6. Duties, Powers and Discretion

The Audit Committee shall have the following duties, powers and discretion:

Relationship with the external auditor of the Company

- 6.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and handling any matter regarding its resignation or dismissal;

- 6.2 to review and monitor the external auditor's independence and objectivity by:
- (a) considering all relationships between the Company and the audit firm;
 - (b) obtaining from the audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those of rotation of audit partners and staff; and
 - (c) meeting with the external auditor, at least once a year, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditor may wish to raise;
- 6.3 to review and monitor 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;
- 6.4 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;
- 6.5 to be primarily responsible for making recommendations to the Board for the approval of any non-audit services provided to the Company by the external auditor. The Audit Committee should ensure that the provision of such non-audit services would not impair the external auditor's independence or objectivity taking into account the following matters:
- (a) whether the skills and experience of the audit firm make it a suitable supplier of such non-audit services;
 - (b) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the external auditor notwithstanding its proposed provision of the non-audit services;
 - (c) the nature of the non-audit services, the related fee levels and the individual and aggregate fee levels relative to the audit firm; and
 - (d) the criteria for determining compensation of the individuals performing the non-audit services;

- 6.6 to act as the key representative body for overseeing the Company's relations with the external auditor;
- 6.7 to set policies on hiring employees or former employees of the external auditors and monitoring the application of these policies;

Review of the Company's financial information

- 6.8 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:
 - (a) financial reporting and accounting policies and practices and any changes in these 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, other applicable rules and legal requirements in relation to financial reporting;
- 6.9 Regarding 6.8 above:
 - (a) Members of the Audit Committee should liaise with the Board and senior management;
 - (b) the Audit Committee must meet, at least twice a year, with the external auditor; and
 - (c) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and 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 of the Company, or the external auditor;

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

- 6.10 to review the Company's financial controls and risk management and internal control systems;
- 6.11 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 Company's accounting and financial reporting function;
- 6.12 to consider major investigation findings on risk management and internal control matters and management's response to these findings on its own initiative or as delegated by the Board;
- 6.13 to ensure audit 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;
- 6.14 to review the financial and accounting policies and practices of the Company and its subsidiaries (the "**Group**");
- 6.15 to review the external auditor's management letter, any material queries raised by the external auditor to the management of the Company about the accounting records, financial accounts, risk management and internal control systems and response of management;
- 6.16 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.17 to review arrangements employees of the Company 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;

Others

- 6.18 to report to the Board on all matters in these Terms of Reference;
- 6.19 where the monitoring activities of the Audit Committee reveal cause for concern or scope for improvement, to make recommendations to the Board to address the issue or to make improvements; and
- 6.20 to consider other topics, as defined by the Board.

7. Reporting Responsibilities

The Audit committee shall report to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

8. Authority

8.1 The Audit Committee is authorized by the Board to inspect all accounts, books and records of the Company; and to seek information it requires from any employee of the Company.

8.2 The Audit Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Group as may be required for the purposes of performing its duties.

8.3 The Audit Committee may seek independent professional advice, at the Company's expense, to perform its duties in appropriate circumstances.

8.4 The Audit Committee shall be provided with sufficient resources to perform its duties.

9. Supplemental Provisions

In case of any discrepancy between the Chinese and English versions of these Terms of Reference, the Chinese version shall prevail.

10. Publication of Terms of Reference

These Terms of Reference will be posted on the websites of the Company and The Stock Exchange of Hong Kong Limited after the listing of the Company.

Henan Jinyuan Hydrogenated Chemicals Co., Ltd.*
Adopted on 16 August 2023

* *For identification purposes only*