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上海棟華石油化工有限公司
SHANGHAI TONVA PETROCHEMICAL CO., LTD.*

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

(Stock code: 8251)

Terms of Reference of the Audit Committee

1. Composition of the Audit Committee (the “Committee”):

Mr. Li Li (<i>Chairman of the Committee</i>)	Independent Non-executive Director
Mr. Chan Cheuk Wing Andy	Non-executive Director
Ms. Ye Mingzhu	Independent Non-executive Director
Mr. Zhu Shengfu	Independent Non-executive Director

2. Constitution of the Committee:

- 2.1 The Audit Committee shall comprise not less than three members, all of whom shall be non-executive directors and a majority of whom shall be independent non-executive directors, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.
- 2.2 The Chairman of the Committee shall be appointed by the board of directors of the Company and should be an independent non-executive director.
- 2.3 The Board may from time to time appoint additional members to the Committee from among the non-executive directors as it may consider necessary, subject to the condition that the independent non-executive directors should constitute the majority of the Committee and be the Committee Chairman.
- 2.4 The Committee may invite any director(s), executive(s), external auditor(s) or other person(s) to attend any meeting(s) of the Committee as it may from time to time consider necessary to assist the Committee in the attainment of its objective(s).

3. Meetings and Quorum

- 3.1 The Committee shall meet with such frequency and at such times as it may determine, but in any event not less than twice year with its external auditor. The Committee Chairman may convene additional meetings at his discretion.

* *For identification purposes only*

- 3.2 The quorum for meetings shall be two independent non-executive directors, one of whom should be the Committee Chairman, unless he is unable to attend due to exceptional circumstances.

4. Role and Authority of the Committee

- 4.1 The Committee is authorised by the Board to investigate any activity within its terms of reference; and to seek any information it requires from any employee(s), whereas all employees are directed to co-operate with any request made by the Committee.
- 4.2 The Committee should be authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise to meetings if it considers necessary.

5. Functions of the Committee

- 5.1 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, particularly under the circumstances below:

- (a) Change of auditor

To delegate the company secretary to draft an announcement, confirming the reason(s) for the change with a statement as to whether there are any other matters that need to be brought to Shareholders' attention upon receipt of auditors' confirmation for the Board's approval for publication; or

- (b) Removal of auditor prior to expiration of his term of office

To delegate the company secretary to draft and dispatch a circular to Shareholders containing any written representation from the auditor, whose written and/or verbal representation is also allowed to be made at the general meeting for its removal, for Shareholders' approval at a general meeting;

Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view;

- 5.2 To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

- 5.3 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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 5.4 To monitor the integrity of the Company’s financial statements, annual reports and accounts, half-year reports and quarterly reports, and to review the significant financial reporting judgements contained therein. In reviewing these financial statements and reports before submission to the Board, the Committee should 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;
- 5.5 Regarding 5.4 above:
- (a) The Committee members should liaise with the Board and senior management; and the Committee shall 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 the 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 auditors.
- 5.6 To review the Company’s financial control, internal control and risk management systems;
- 5.7 To discuss the internal control system with the management to ensure that the management has performed its duty in developing an effective internal control system. Such discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting function;
- 5.8 To consider major investigation findings on internal control as delegated by the Board or on its own initiative and the management’s response to these findings;

- 5.9 Where an internal audit function exists, 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 Company, and its effectiveness has been reviewed and monitored;
- 5.10 To review the Group's financial and accounting policies and practices;
- 5.11 To review the external auditor's management letter, any material queries raised by the auditor to the management about accounting records, financial accounts or systems of control and the management's response;
- 5.12 To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 5.13 To report to the Board on the matters in these terms of reference;
- 5.14 To review the following arrangements: employees of the Company can raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters; and the Committee should ensure that proper arrangements are in place for the issuer to conduct a fair and independent investigation into such matters and to take appropriate follow-up actions; it shall also act as the key representative body for overseeing the Company's relations with the external auditor; and
- 5.15 To consider other topics, as defined by the Board, from time to time (e.g. consider establishing a whistleblowing policy for employees and those who deal with the Company, such as customers and suppliers, to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company.)

Shanghai, 27 March 2012

As at the date of this announcement, the Board comprises 6 executive directors: Qian Wenhua, Lu Yong, Zhang Jinhua, Jin Xiaohua, Li Hongyuan and Mo Luojiang; 2 non-executive directors: Chan Cheuk Wing Andy and Hsu Chun-min; and 3 independent non-executive directors: Li Li, Zhu Shengfu and Ye Mingzhu.

This announcement, for which the directors of Shanghai Tonva Petrochemical Co., Ltd. collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of Shanghai Tonva Petrochemical Co., Ltd., having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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