



深圳市海王英特龍生物技術股份有限公司
SHENZHEN NEPTUNUS INTERLONG BIO-TECHNIQUE COMPANY LIMITED*
(the "Company")
(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 8329)

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

This Terms of Reference was established on 16 March 2012 and the last revision was approved by the board (the "**Board**") of directors (the "**Directors**") of the Company with effective on 17 December 2018.

1 MEMBERSHIP

- 1.1 Members of the Audit Committee shall be appointed by the Board.
- 1.2 Members of the Audit Committee shall only consist of non-executive Directors.
- 1.3 The Audit Committee must be composed of at least three members and the majority of which must be independent non-executive Directors.
- 1.4 Former partner of the Company's existing auditing firm cannot serve as a member of the Audit Committee within two years from the date when he or she ceases (i) being a partner of the firm, or (ii) to have any financial interests in the firm, whichever is later.
- 1.5 One of the Audit Committee members shall be accepted by the Stock Exchange as an independent non-executive Director and with appropriate professional qualification or accounting or relevant financial management expertise.
- 1.6 The appointment term of each Audit Committee member shall be three years at most, and they may be re-appointed by the Board upon the expiration of their term of office.

* *For identification purpose only*

2 CHAIRMAN

- 2.1 Chairman of the Audit Committee shall be an independent non-executive Director appointed by the Board. The Chairman shall be responsible for the communication with the Board.
- 2.2 The Chairman shall host the Audit Committee meetings.
- 2.3 In the absence of the Chairman of the Audit Committee, another member of the Audit Committee present at the meeting shall be elected to host the Audit Committee meeting.

3 SECRETARY

- 3.1 The Company Secretary shall be the secretary of the Audit Committee.
- 3.2 The secretary of the Audit Committee shall attend the meeting of the Audit Committee and take minutes. In the absence of the secretary of the Audit Committee, he/she shall appoint a delegate, or the members of the Audit Committee who are present at the meeting shall appoint any other person to act as the secretary.

4 QUORUM

- 4.1 The quorum for the meeting shall be any two members, one of which must be an independent non-executive Director.
- 4.2 The secretary of the Audit Committee shall determine whether there are any interest conflicts and take corresponding notes when the meeting begins. In case any proposals in the meeting concern the vital interest of the members of the Audit Committee or their associates, the involved members shall not be counted as the quorum present at the meeting, and shall waive their voting rights.
- 4.3 An official Audit Committee meeting convened with sufficient attending quorum shall have the right to exercise any authorities, rights or discretion entitled to the Audit Committee or to be exercised by the Audit Committee.

5 FREQUENCY OF MEETINGS

- 5.1 The Audit Committee shall hold at least four meetings annually, and shall be convened at other times required by the Chairman of the Audit Committee.

5.2 Whenever necessary, any members of the Audit Committee and, internal and external auditors may request a meeting of the Audit Committee to be convened.

5.3 The Audit Committee shall hold at least two meetings with the external auditors annually.

6 ATTENDANCE AT MEETINGS

6.1 The members of the Audit Committee may attend the meetings of the Audit Committee in person or through other electronic means of communication.

6.2 Any members of the Audit Committee wishing to attend a meeting by electronic communications shall make arrangements with the secretary of the Audit Committee in advance.

6.3 At the invitation of the Audit Committee, the Financial Controller and Head of Internal Auditing Department of the Company, representative(s) of the external auditors, Directors and other persons may attend the meeting.

7 MEETING NOTICE

7.1 Upon the request of any members of the Audit Committee, the secretary of the Audit Committee shall convene the meeting of Audit Committee.

7.2 Unless otherwise specified, meeting notices of the Audit Committee shall be given at least three days before the meeting date.

7.3 Agenda and accompanying supporting papers of the meeting shall be delivered to all members of the Audit Committee and other attendees as appropriate at least three days before the meeting date (or such other period as the members may agree).

7.4 Any members of the Audit Committee shall have the right to issue notices to the secretary of the Audit Committee to suggest adding other items concerning the responsibilities of the Audit Committee into the meeting agenda.

8 MEETING MINUTES

8.1 The secretary of the Audit Committee (or his/her delegate(s)) shall take detailed notes of all involved items and resolutions, including the name list of persons to be present and the doubts and/or counterviews of any members of the Audit

Committee.

- 8.2 Full minutes shall be kept by the secretary of the Audit Committee. Draft and final versions of the minutes shall be circulated to all members of the Audit Committee within a reasonable period of time after the meeting, the draft version for members' comments and the final version for record. Such minutes shall be open for Directors' inspection.

9 ANNUAL GENERAL MEETING

- 9.1 The Chairman of the Audit Committee (in his/her absence, another member of the Audit Committee or failing this, his/her duly appointed delegate) shall attend the annual general meeting of the Company and be prepared to answer the shareholders' questions on the Audit Committee's work and responsibilities.

10 RESPONSIBILITIES

The Audit Committee shall be responsible for:–

Relationship with the Company's auditors

- 10.1 Considering and making recommendations to the Board on the appointment, re-appointment and removal of external auditors, approving the remuneration and terms of engagement of the external auditors, and resolving any issues of resignation or dismissal of that auditor (the Company shall issue announcements when changing auditors, in accordance with Rule 17.50(4) of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"));
- 10.2 Reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the auditing process in accordance with applicable accounting standards;
- 10.3 Discussing the nature and scope of the audit and the reporting obligations with the auditors before the audit commences, and ensuring the co-ordination where more than one audit firm are involved;
- 10.4 Developing and implementing policies for the non-auditing services provided by the external auditors. In this regard, the "external auditors" shall include any entity 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

Audit Committee shall report to the Board on any matters where actions and improvements are needed and recommend available measures;

Review of the Company's financial information

- 10.5 Reviewing and monitoring the integrity of the Company's financial statements and annual reports and accounts, half-year reports and quarterly reports, and reviewing significant financial reporting judgements contained therein. In this regard, the Committee shall review relevant statements and reports before submitting the Company's relevant annual reports and accounts, half-year reports and quarterly reports to the Board, and should focus particularly on following:
- 10.5.1 Any changes in the accounting policies and practices;
 - 10.5.2 Major judgmental area;
 - 10.5.3 Significant adjustments resulting from audit;
 - 10.5.4 The going concern assumptions and any qualifications;
 - 10.5.5 Compliance with accounting standards; and
 - 10.5.6 Compliance with the GEM Listing Rules and legal requirements in relation to senior financial reporting.

Regarding 10.5 above:-

- (i) Members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year with the Company's auditors; and
- (ii) The Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report 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.

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

- 10.6 Reviewing the Company's financial control, and unless expressly addressed by a separate Board risk committee or by the Board itself, to review the Company's risk

- management and internal control systems;
- 10.7 Discussing the risk management and internal control system with the management to ensure that the management has performed the duties in developing 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;
 - 10.8 Considering major investigation findings on risk management and internal control as delegated by the Board or on its own initiative and the management's response to these findings;
 - 10.9 (Where the internal audit function exists) ensuring the co-ordination between the internal and external auditors, and also ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and its effectiveness has been reviewed and monitored;
 - 10.10 Reviewing the Company's and its subsidiaries' financial and accounting policies and practices;
 - 10.11 Reviewing the external auditor's letter to the management and answer any material queries raised by the auditors to the management in respect of accounting records, financial accounts or system of control and the management's response;
 - 10.12 Ensuring the Board will provide a timely response to the issues raised in the external auditor's letter to the management;
 - 10.13 Reporting to the Board on the matters therein and, in particular, the matters required to be performed by the Audit Committee under the Corporate Governance Code provisions set out in Appendix 15 of the GEM Listing Rules;
 - 10.14 Considering other topics, as defined by the Board;
 - 10.15 Resolving other matters as delegated by the Board from time to time;
 - 10.16 Reviewing the following arrangements made by the Company: the Company employees may raise concerns, in confidence, about possible improprieties in the financial reporting, internal control or other matters; the Audit Committee should ensure that proper arrangements are in place for the Company to conduct a fair and independent investigation into such matters and takes appropriate follow-up action;

- 10.17 Acting as the key representative body for overseeing the Company's relationship with external auditors; and
- 10.18 Discussing problems and reservations arising from the interim and final audit, and any matters the auditors may wish to discuss (in the absence of management where necessary).

11 REPORTING RESPONSIBILITIES

- 11.1 The Chairman of the Audit Committee shall officially report all matters within his/her scope of responsibilities to the Board, each time after the meeting ends.
- 11.2 The Audit Committee shall provide appropriate proposals to the Board for the fields that need to be improved or implemented within its scope of responsibilities.
- 11.3 Whenever the Board reject the Audit Committee's proposal on the selection, appointment, resignation or dismissal of external auditors, the Audit Committee shall prepare a statement to be contained in the "Corporate Governance Report" of the Company's annual report and explain its proposals. The Board shall also state the rejection reason in the same Report.

12 OTHERS

- 12.1 The newly appointed members of the Audit Committee shall acquire the specified comprehensive and official inaugural notices, and obtain the necessary introduction and professional training thereafter to ensure that they have appropriate understanding for the Company's operation and business and that they fully understand their responsibilities acting as the members of the Audit Committee. All expenditures needed for aforesaid actions are undertaken by the Company.
- 12.2 Each Audit Committee member shall invest sufficient time and attention to discharge their duties. He/she shall contribute skills and expertise by participating in the Company's affairs periodically and actively.

13 AUTHORITIES

- 13.1 The Audit Committee is authorized by the Board to investigate the matters within its term of reference. The Audit Committee is entitled to ask any employee for the information and data under reasonable request, and all the employees shall cooperate with the Audit Committee regarding the reasonable requests.

- 13.2 The Audit Committee shall be provided with sufficient resources to perform its duties. The Audit Committee may request the General Manager of the Company for additional resources if determined there were no sufficient resources. If such request is declined, the Audit Committee may consider reflecting its request to the Board through the Company Secretary. In reasonable and feasible circumstances, the Board shall hold a Board meeting as soon as possible to consider such request.
- 13.3 In order to ensure that the Audit Committee procedures and all the applicable rules and regulations are observed, all members of the Audit Committee shall have access to the advice and services of the Company Secretary.
- 13.4 The Audit Committee or any of its members asking for independent and professional advice relating to his/her responsibilities may request to the Company Secretary. All such requests shall be handled in line with the Company's previously determined procedures for seeking independent and professional advice, and the necessary expenditure shall be borne by the Company.

Note: If there is any inconsistency between the English and Chinese versions of this Terms of Reference, the Chinese version shall prevail.