

**Sinopoly Battery Limited**  
**中聚電池有限公司**  
*(Incorporated in Bermuda with limited liability)*  
(the “Company”)

**Terms of Reference for the Audit Committee**

These terms of reference were adopted by the board of directors of the Company (the “Board”) on 6 October 2005 and revised on 1 January 2009 and 1 April 2012.

**1. Membership**

- 1.1 Members of the Audit Committee should be appointed by the Board.
- 1.2 The Audit Committee must consist of a minimum of three members, all of whom must be non-executive directors.
- 1.3 The majority of the members of the Audit Committee must be independent non-executive directors (“INEDs”), at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).
- 1.4 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of 1 year from the date of his ceasing:
- (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,
- whichever is later.

**2 Chairman**

- 2.1 The chairman of the Audit Committee should be appointed by the Board and must be an INED.

**3 Secretary**

- 3.1 The company secretary should be the secretary of the Audit Committee.
- 3.2 In the absence of the secretary of the Audit Committee, the members present at the meeting of the Audit Committee should elect another person as the secretary.

**4 Quorum**

- 4.1 The quorum for meetings of the Audit Committee should be any two members.
- 4.2 A duly convened meeting of the Audit Committee at which a quorum is present at the time when the meeting proceeds to business and continues to be present until the conclusion of the meeting, should be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.

## **5 Frequency of meetings**

- 5.1 The Audit Committee should hold at least two regular meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings of the Audit Committee should be held as and when required.
- 5.2 The external auditors may request a meeting if they consider that one is necessary.

## **6 Attendance at meetings**

- 6.1 Members of the Audit Committee may attend meetings of the Audit Committee either in person or through electronic means of communication.
- 6.2 The head of the accounting department, the head of internal audit (if any), and a representative of the external auditors should normally attend meetings along with the members of the Audit Committee. However, at least once a year the Audit Committee should meet with the external auditors and internal auditor (if any) without executive Board members present.
- 6.3 The secretary of the Audit Committee (or his/her delegate) should attend all meetings of the Audit Committee to take minutes.

## **7 Notice of meetings**

- 7.1 A meeting of the Audit Committee may be convened by any of its members, or by the secretary of the Audit Committee at the request of any of its members or at the request of the external auditors.
- 7.2 Unless otherwise agreed by all the members of the Audit Committee, notice of at least 14 days should be given of a regular meeting of the Audit Committee, and such notice should be sent to each member of the Audit Committee, and to any other person invited to attend. For all other meetings of the Audit Committee, reasonable notice should be given.
- 7.3 For regular Audit Committee meetings, and as far as practicable in all other cases, an agenda and accompanying supporting papers should be sent, in full, to all members of the Audit Committee and to other attendees as appropriate. These should be sent in a timely manner and at least 3 days before the intended date of the meeting (or other agreed period).
- 7.4 Any member of the Audit Committee should be entitled, by notice to the secretary of the Audit Committee, to include other matters relevant to the functions of the Audit Committee in the agenda of an Audit Committee meeting.

## **8 Minutes of meetings**

- 8.1 The secretary of the Audit Committee (or his/her delegate) in attendance at the meetings of the Audit Committee should record in sufficient detail the matters considered and decisions reached at such meetings. The minutes should also include any concerns raised by any member of the Audit Committee and/or dissenting views expressed.

- 8.2 The secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The relevant member of the Audit Committee should not be counted towards the quorum and he must abstain from voting on any resolution of the Audit Committee in which he or any of his associates has a material interest, unless the exceptions set out in note 1 to Appendix 3 of the Listing Rules apply.
- 8.3 Draft and final versions of minutes of the Audit Committee meetings should be sent to all committee members for their comment and records, within a reasonable time after the meeting. Once the minutes are signed, the secretary should circulate the minutes and reports of the Audit Committee to all members of the Board.
- 8.4 Minutes of the Audit Committee meetings should be kept by the secretary of the Audit Committee and should be open for inspection by any member of the Audit Committee or the Board at any reasonable time on reasonable notice.

## **9 Annual general meeting**

- 9.1 The chairman of the Audit Committee or in his absence, another member of the Audit Committee or failing this, his duly appointed delegate, should attend the annual general meeting of the Company and be prepared to answer questions at the annual general meeting on the Audit Committee's activities and their responsibilities.

## **10 Other regulations governing the meetings and proceedings of the Audit Committee**

- 10.1 Unless otherwise specified above, the provisions contained in the Company's bye-laws for regulating meetings and proceedings of directors should apply to the meetings and proceedings of the Audit Committee.

## **11 Duties**

The duties of the Audit Committee are as follows:-

### **11.1 Relationship with the Company's auditors**

- (a) 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 to consider any questions of its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (d) to ensure co-ordination where more than one audit firm is involved; and

- (e) 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

#### 11.2 Review of the Company’s financial information

- (a) 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 judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:-
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (b) regarding 11.2(a) 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.

#### 11.3 Oversight of the Company’s financial reporting system and internal control procedures

- (a) to review the Company’s financial controls, internal control and risk management systems;
- (b) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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;
- (c) to consider major investigations findings on 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, 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 to review and monitor its effectiveness;
- (e) to review the group's financial and accounting policies and practices;
- (f) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the Board on the matters set out herein and, in particular, the matters required to be performed by the Audit Committee under the Corporate Governance Code And Corporate Governance Report set out in Appendix 14 of the Listing Rules (the "**Code**");
- (i) 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;
- (j) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (k) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (l) to review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report in the annual report of the Company;
- (m) to consider other topics, as defined by the Board; and
- (n) to discuss problems and reservations arising from the interim and final audits and any matters the auditor may wish to discuss (in the absence of the management where necessary).

## **12 Reporting responsibilities**

- 12.1 Where the Board disagrees with the Audit Committee's views on the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee should prepare a statement, for inclusion in the Company's Corporate Governance Report, explaining its recommendation. The Board should include in the same report the reason(s) why it has taken a different view.
- 12.2 The Audit Committee should compile a report to shareholders on its role and work performed by it during the year in discharging its responsibilities in its review of the quarterly (if relevant), half-yearly and annual results and internal control system, and its other duties set out in the Code, for inclusion in the Company's Corporate Governance Report.

- 12.3 The Audit Committee should report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

### **13 Others**

- 13.1 The Audit Committee should be provided with sufficient resources to perform its duties.
- 13.2 All members of the Audit Committee should have access to the advice and services of the secretary of the Audit Committee with a view to ensuring that procedures of the Audit Committee and all applicable rules and regulations are followed.
- 13.3 In the event that the Audit Committee or any member of the Audit Committee requires access to outside independent professional advice in connection with its/his duties, a request may be made to the Board through the company secretary. All such requests should be processed in accordance with the Company's pre-defined procedures for seeking independent professional advice at the Company's expense.
- 13.4 Every member of the Audit Committee should ensure that he can give sufficient time and attention to his duties as a member of the Audit Committee. He should give the Company the benefit of his skills and expertise through regular attendance and active participation.

### **14 Authority**

- 14.1 The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it reasonably requires from any employee and all employees are directed to co-operate with any reasonable request made by the Audit Committee.
- 14.2 The Audit Committee and each of its members should have separate and independent access to the Company's senior management.

### **15 Publication of the terms of reference of the Audit Committee**

- 15.1 The terms of reference of the Audit Committee should be posted on the Stock Exchange's website and the Company's website.