Neo-Neon Holdings Limited
同方友友控股有限公司

(the "Company")

(incorporated in the Cayman Islands with limited liability)

AUDIT COMMITTEE

Revised Terms of Reference

(Approved by the Board on 29 November, 2013 and amended on 4 December, 2015 and 20 March, 2019)

Membership

1. The Committee shall be appointed by the board of directors of the Company (the "Board") from amongst the non-executive directors and shall consist of not less than three members, at least one of whom is an independent non-executive director with 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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. The majority of the members of the Committee shall be independent non-executive directors of the Company.

3. The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director of the Company.

4. The term of membership will be one year from the date of appointment subject to renewal and shall be governed by the provisions of the Articles of Association of the Company.

5. The appointment of the members of the Committee may be revoked, and new member can be in appointed place by resolutions passed by the Board.

6. No alternate Committee member can be appointed.

7. A former partner, principal, shareholder, or professional employee of the Company's existing external auditor is prohibited from acting as a Committee member for a period of 2 years as calculated under the Listing Rules and applicable auditor independence rules.

Attendance at meetings

8. The Chief Financial Officer of the Group (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors shall normally attend meetings. Other Board members may be invited to attend a particular meeting in order to answer specific points or concerns. Where an internal audit function exists, the Head of Internal Audit should normally attend meetings. However, at least once a year the Committee shall meet with the external and internal auditors (if any) without the presence of any of the executive directors.

9. The Company Secretary shall be the secretary of the Committee.

Frequency and proceedings of meetings

10. Meetings shall be held not less than twice a year. Additional meetings should be held as and when the Committee considers necessary.

11. The chairman of the Committee may convene additional meetings at his discretion.

12. The external auditors may also request a meeting if they consider that one is necessary.

13. The quorum of a meeting shall be three members of the Committee.

14. Proceedings of meetings of the Committee shall be governed by the provisions of the Articles of Association of the Company.

Authority

15. The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate as requested by members of the Committee.

16. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers necessary.

17. The Committee shall report to the Board on any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.

Responsibility

18. The Committee is to serve as a focal point for communication between other directors, the external auditors and the internal auditors (where an internal audit function exists) as regards their duties relating to financial and other reporting, risk management, internal controls, external and internal audits and such other financial and accounting matters as the Board determines from time to time.

19. The Committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and its subsidiaries, and overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

Duties, powers and functions

20. The Committee is to:

Relationship with the Company's auditors

(a) 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;

(b) 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;

(c) 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;

(d) approve the policies on hiring employees or former employees of the external auditors and monitoring the application of these policies to examine whether there has been or appears to be any impairment of the auditor's judgment or independence for the audit;

Review of the Company's financial information

(e) 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 Committee should focus particularly on:–

(i) any changes in accounting policies and practices;

(ii) major judgemental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualification;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(f) In regard to (e) above:–

(i) members of the Committee should liaise with the Board, senior management and the person appointed as the Company's qualified accountant and the Committee must meet, at least twice a year, with the Company's auditors; and

(ii) the 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 qualified accountant, compliance officer or auditors;

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

(g) review the Company's financial controls, internal control and risk management systems;

(h) discuss the risk management and the 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;

(i) consider major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(j) where an internal audit function exists, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;

(k) review the Group's financial and accounting policies and practices;

(l) review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(m) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(n) 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 Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(o) act as the key representative body for overseeing the Company's relations with the external auditor;

(p) report to the Board on the matters set out in this terms of reference; and

(q) consider other matters, as defined by the Board.

Reporting Procedures

21. The Committee should report to the Board on a regular basis.

22. Full minutes of the Committee meetings should be kept by the secretary of the Committee. Draft and final versions of minutes of the Committee meetings should be sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting. The secretary of the Committee shall circulate the minutes of meetings and all written resolutions of the Committee to all members of the Board, keeping the Board informed of the Committee's activities, decisions and recommendations on a regular basis.

23. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee, shall report to the Board on the findings and recommendations of the Committee. At least annually, the Committee should present a report to the Board which addresses the work and findings of the Committee during the year.

24. Reports to the Board and minutes of the Committee should be approved by the Committee before submitting to the Board.