

Audit and Risk Committee Charter

Boyuan Holdings Limited

ACN 608 897 963

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Level 14, Australia Square, 264-278 George Street, Sydney
NSW 2000 Australia

GPO Box 5408, Sydney NSW 2001 Australia

DX 129 Sydney

Telephone +61 2 9334 8555

Facsimile 1300 369 656 (Australia)
9037 0055 (International)

hwlebsworth.com.au

+61 2

Table of contents

1.	Introduction	1
2.	Definitions	1
3.	Scope	2
4.	Role and objectives	2
5.	Accountability of Board	4
6.	Membership	4
7.	Appointment of external audit firm	5
8.	Internal audit function	6
9.	Responsibilities	6
10.	Meetings and procedures	8
11.	Economic, environmental and social sustainability risks	9
12.	Reporting	9
13.	Compliance with disclosure obligations	9
14.	Committee's performance evaluation	9
15.	Variation	10
16.	Disclosure of Charter	10

Audit and Risk Committee Charter

Date adopted by
the Board

1. Introduction

The primary objective of risk management is to ensure that the Company appropriately manages its business and operating risks. This promotes stakeholder confidence in dealing with or investing in the Company.

The Board:

- (a) recognises that effective management of risk is an integral part of good management and vital to the continued growth and success of the Company;
- (b) recognises that the Company should implement formal and rigorous processes to independently verify and safeguard the integrity of its corporate reporting;
- (c) is responsible for the oversight of the risk management and control framework of the Company including the development of risk profiles as a part of the overall business and strategic planning process; and
- (d) has implemented a policy framework to ensure that the risks of the Company and its related bodies corporate are identified, analysed, evaluated, monitored and communicated within the organisation on an on-going basis, and that adequate controls are in place and functioning effectively.

2. Definitions

General terms and abbreviations used in this Charter have the meanings set out below:

ASX	means ASX Limited ACN 008 624 691 or the securities market operated by ASX Limited, as the case may be.
ASX Listing Rules	means the listing rules of the ASX, as amended from time to time.
Board	means the board of Directors of the Company.

CFO	means the chief financial officer of the Company.
Chair	means the chair of the Board.
Charter	means this "Audit and Risk Committee Charter".
Committee	means the Audit and Risk Committee.
Committee Chair	means the chair of the Audit and Risk Committee.
Company	means Boyuan Holdings Limited ACN 608 897 963.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Director	means a director of the Company.
Managing Director	means the managing director, or equivalent chief executive officer, of the Company.
Secretary	means the company secretary of the Company.

3. Scope

This Charter is applicable to the Company's related bodies corporate and all levels within the organisation.

4. Role and objectives

The primary role of the Committee is to monitor and review the effectiveness of the control environment of the Company in the areas of operational and balance sheet risk, legal and regulatory compliance and financial reporting.

The overriding objective of the Committee is to provide an independent and objective review of financial and other information prepared by the Company, in particular information that is to be provided to members and/or filed with regulators, including:

- (a) overseeing the Company's discharge of its responsibilities with respect to:
 - (i) the adequacy of the Company's corporate reporting processes;
 - (ii) the extent to which the Company's financial statements, financial report and annual report reflect the understanding of the Committee members and provide a true and fair view of the Company's financial position and financial performance;
 - (iii) the appropriateness of the accounting judgments exercised by management in preparing the Company's financial statements;
 - (iv) legal and regulatory compliance;
 - (v) protection of capital; and
 - (vi) risk management systems;
- (b) overseeing the Company's relationship with the external audit firm, including their appointment or removal;
- (c) determining the independence of the external audit firm; and
- (d) in respect of the external audit firm, determining the policy for partner rotation.

The Committee is also responsible for the review of the Company's risk management program. It must ensure that areas of key risk have been identified, and that the appropriate internal controls have been implemented and are operating efficiently in all material respects.

The Committee will meet and receive regular reports from its external audit firm concerning matters that arise in connection with the Company's audit. The Committee is also responsible for overseeing the engagement of the external audit firm, including:

- (a) review of the external audit firm's performance;
- (b) the nomination of any new or replacement external audit firm; and
- (c) the scope of the external audit firm's work plan.

The Committee should also consider any proposal for the external audit firm to provide non-audit services and whether the provision of such services will compromise the independence of the external audit firm.

5. Accountability of Board

The Board has ultimate responsibility for overseeing the performance of the Company, including monitoring of its risk management and internal control systems.

The Committee is responsible for preparing a risk appetite statement, identifying the level of risk acceptable to the Company. The Committee will recommend the risk appetite statement to the Board for adoption and will review the risk appetite statement periodically, not less than annually.

The Committee is required to report to the Board on the Company's activities and risk profile in light of this statement, and to put systems and reporting lines in place to enable it promptly to bring to the Board's attention any departure from the risk appetite statement, including without limitation:

- (a) seeking a quarterly sign-off from senior management on risk; and
- (b) seeking quarterly reporting from the Company's compliance committees (if any).

6. Membership

6.1 Composition

- (a) The Committee will comprise at least three Directors. However, if the Company is included in the S&P/ASX 300 Index at the beginning of its financial year in any year, the Committee will consist of:
 - (i) at least three members;
 - (ii) only non-executive Directors; and
 - (iii) a majority of independent Directors;
 for the duration of the financial year.
- (b) If the Company is included in the S&P/ASX 300 Index, membership of the Committee will be reviewed periodically and re-appointment to the Committee will not be automatic. Appointments and resignations will be decided by the Board.
- (c) All members of the Committee must be able to read and understand financial statements and reports.
- (d) The Committee Chair may not be the Chair and must be independent.
- (e) The Committee Chair must have leadership experience and a strong finance, accounting or business background.

- (f) The external audit firm, Secretary and CFO (or equivalent) and other senior executives, may be invited to Committee meetings at the discretion of the Committee.

6.2 Chair

- (a) The Committee Chair is appointed by the Board. If for a particular Committee meeting, the Committee Chair is not present within fifteen minutes of the nominated starting time of the meeting, the Committee may elect a chair for that meeting.
- (b) If the Company is included in the S&P/ASX 300 Index at the beginning of its financial year in any year, the Committee Chair will be an independent non-executive Director who is not the Chair of the Board.

6.3 Members

The current members of the Committee are Mr David Batten, Dr Saliba Sassine and Mr Xiaofeng Chen. The Committee Chair is currently Mr David Batten.

6.4 Secretary

Dr Saliba Sassine is the secretary of the Committee.

7. Appointment of external audit firm

An external audit partner is to be permanently engaged by the Company to provide shareholder and investor confidence in the integrity of the Company's financial reports, and audit compliance. The Company requires the external audit partner to maintain independence from the Company in accordance with the Corporations Act and this Charter.

Each year, the Company and the external audit firm should document the terms of engagement and present them to the Committee for approval. Terms of engagement must include:

- (a) confirmation of the external audit firm's continuing independence and the continuing independence of the senior audit partner;
- (b) a requirement for the external audit partner to be present at the annual general meeting for the purpose of answering shareholder questions about the conduct of the audit and the preparation and content of the external audit firm's report. The agenda for the annual general meeting must include a note informing shareholders of their right to put questions to the external audit firm;
- (c) ready access of the external audit partner to the Committee via the Committee Chair; and

- (d) a requirement for the external audit firm to provide the Committee with a full and complete report on the audit, with a copy to be presented to management.

On the completion of the year end audit, the Committee is to receive a copy of the audit closing report which clearly documents any potential issues in the financial statements.

8. Internal audit function

If the Company has an internal audit function, the Committee should review and make recommendations to the Board in relation to:

- (a) the appointment or removal of the head of internal audit;
- (b) the scope and adequacy of the internal audit work plan; and
- (c) the objectivity and performance of the internal audit function.

The Company should also disclose on the corporate governance page on the Company's website the structure and role of its internal audit function.

If the Company has not adopted an internal audit function, it should disclose on the corporate governance page on the Company's website that fact and the alternative processes it employs in order to evaluate and continually improve the effectiveness of its risk management and internal control processes.

9. Responsibilities

To fulfil its responsibilities and duties, the Committee will:

- (a) with respect to financial reporting processes:
 - (i) review and discuss with management and the external audit firm the half-yearly and annual financial reports including notes to the financial accounts and other disclosures and whether the financial reports should be approved;
 - (ii) review the Company's accounting and financial reporting practices, including the effect of changes in accounting standards and practices, the effect of significant judgements or estimates made by management, the appropriateness of assumptions used to support carrying values of assets, ASX listing requirements and corporate legislation. This includes discussing with management and the external audit firm the application of those practices and standards to the Company's financial reports;
 - (iii) review and discuss with the external audit firm its report regarding significant findings in the conduct of the audit and management's response to those findings;

- (iv) discuss with management and the external audit firm any major issues relating to the system of internal controls over financial information; and
 - (v) satisfy itself that the declarations provided by the person that performs a chief executive function and CFO (or equivalent) in accordance with section 295A of the Corporations Act are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks;
- (b) with respect to oversight of the external audit firm:
- (i) review the appointment and, if necessary and subject to shareholder approval (and no objection from ASIC), the removal of the external audit firm;
 - (ii) review and approve the terms of engagement of, and the fees payable to, the external audit firm;
 - (iii) review the annual audit plan with the external audit firm and approve the plan and the quantum of audit fees;
 - (iv) review and discuss with the external audit firm any matters relating to the conduct of the audit including responses from management, the appropriateness of the Company's accounting policies, and the reasonableness of management estimates and judgements;
 - (v) receive and review quarterly reports on non-audit services to determine compliance with the Board's policy on maintaining the independence of the external audit firm;
 - (vi) review annually the Board's policy on maintaining independence of the external audit firm and recommend any changes if necessary; and
 - (vii) review the performance of the external audit firm having regard to the skills and capabilities of the lead external audit staff;
- (c) with respect to risk management:
- (i) review the adequacy of the Company's risk management policy and framework for identifying, assessing, monitoring and managing risk in light of the Board's risk appetite statement;
 - (ii) review and update the Company's risk profile regularly;
 - (iii) monitor the effectiveness of the risk management framework and the system of internal control, including regular request, receipt and review of reports on material risks and the operation of the Company's internal controls to mitigate those risks;
 - (iv) monitor the effectiveness of the Company's business continuity policies and procedures, and its compliance with the Board's risk appetite statement;

- (v) undertake periodic strategic risk assessment workshop with senior managers to reassess the Company's material risks and determine whether the current controls are adequate and effective;
 - (vi) review and make recommendations to the Board regarding any incident involving fraud or other break down of the Company's internal controls;
 - (vii) review at least annually the Company's implementation of the risk management policy and framework and the Board's risk appetite statement and disclose on the corporate governance page on the Company's website whether such a review has been carried out in relation to each reporting period; and
 - (viii) review the adequacy of the Company's insurance policies, including the terms of annual policy renewals and the creditworthiness and claims payment histories of the Company's principal insurers in light of the Board's risk appetite statement and the insurable risks associated with the Company's business;
- (d) with respect to legislative compliance;
- (i) monitor the development and ongoing review of appropriate legislative compliance policies and programmes where applicable;
 - (ii) receive, review and discuss with management regular reports on legislative compliance; and
 - (iii) monitor progress in responding to enquiries from regulatory authorities; and
- (e) with respect to this Charter:
- (i) establish a formal charter that clearly sets out the role of the Committee and confers on it all necessary powers to perform that role including the right to obtain information, interview management and internal and external audit firm and seek advice from external consultants or specialists where necessary;
 - (ii) state in its formal charter that the Committee will be responsible for periodically reviewing the Company's risk management framework; and
 - (iii) disclose on the corporate governance page on the Company's website the charter of the Committee.

10. Meetings and procedures

It is intended that the Committee will meet at least three times each year, or as often as the Committee members deem necessary in order to ensure that the Committee fulfils its role and the objectives set out in this Charter.

At each of the Board meetings, the Managing Director, CFO and Secretary are required to provide assurance to the Board as to the effectiveness of the systems in place for the management of the material risks, by reference to the Company's operational issues reports.

Except as set out in this Charter, the Committee is subject to the Board's general policy for engaging or seeking advice from financial and legal advisers.

The Secretary will attend all Committee meetings and minute the meetings. All minutes of the Committee will be entered into a minute book maintained for that purpose and will be open at all times for inspection by any Director. The Secretary will distribute supporting papers for each meeting of the Committee as far in advance as possible.

The Company will disclose in the corporate governance section of each annual report the frequency of the Committee meetings, the names, relevant qualifications and experience of members of the Committee and their attendance at meetings of the Committee.

11. Economic, environmental and social sustainability risks

The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks. If the Company is exposed to such risks, it should also disclose how it manages or intends to manage those risks.

12. Reporting

It is intended that a report of the actions of the Committee will be included in the Board papers for Board meetings immediately following completion of that report.

13. Compliance with disclosure obligations

The Committee will review all reporting by the Company of its audit and risk policies and practices to ensure that the Company meets its disclosure obligations as required under the ASX Listing Rules and the Corporations Act.

14. Committee's performance evaluation

Annually, the Committee will review its performance and take appropriate action in respect of areas where there is a perceived need for enhancement of its role, operational processes or membership.

15. Variation

The Board may change this Charter by resolution.

16. Disclosure of Charter

This Charter will be made available, and updated as required, on the Company's website (http://www.boyuan.com.au/corporate_governance/) in a clearly marked "Corporate Governance" section.