

**TIANLI HOLDINGS GROUP LIMITED**  
**天利控股集團有限公司**  
(the “Company”)  
*(incorporated in the Cayman Islands with limited liability)*

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

(Latest amendments approved by the Board on 13 December 2018)

**1. MEMBERSHIP**

- 1.1 The Audit Committee shall be appointed by the Board and shall consist of not less than three (3) members comprising non-executive directors.
- 1.2 The majority of the members of the Audit Committee shall be independent non-executive directors and 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 (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).
- 1.3 All members of the Audit Committee are appointed by the Board and can be removed by the Board at its sole discretion.
- 1.4 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of two (2) years from the date of the person ceasing:
- (a) To be a partner of the firm; or
  - (b) To have any financial interest in the firm,
- whichever is later.

**2. CHAIRMAN**

The Chairman shall be appointed by the Board and must be an independent non-executive director. In the absence of the Chairman of the Audit Committee, members present may elect any member to chair a meeting.

**3. SECRETARY**

The company secretary, or his/her delegate(s) or any person elected by the members present at the meeting of the Audit Committee, shall be the secretary of the Audit Committee.

#### 4. PROCEEDING OF THE AUDIT COMMITTEE

Unless otherwise specified hereunder, the provisions contained in the Company's Articles of Association (as amended from time to time) for regulating meetings and proceedings of the Board shall apply to the meetings and proceedings of the Audit Committee.

##### 4.1 Quorum

4.1.1 The quorum for meetings of the Audit Committee shall be two (2) members.

##### 4.2 Frequency of meetings

4.2.1 The Audit Committee shall hold at least two (2) regular meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings of the Audit Committee may be held as and when required.

4.2.2 The Audit Committee shall meet with the external auditor at least twice a year without any executive director being present. The external auditor may request a meeting if they consider necessary.

##### 4.3 Attendance at meetings

4.3.1 Members of the Audit Committee may attend meetings of the Audit Committee either in person or through other electronic means of communication or in such other manner as the members may agree.

4.3.2 At the invitation of the Audit Committee, the following persons may attend the meeting:

- (i) head of Internal Audit (if there exists such function) or a representative from Internal Audit);
- (ii) group Finance Director or Head of Accounts Department (or person occupying the same position);
- (iii) other members of the Board; and
- (iv) other persons.

##### 4.4 Notice of meetings

4.4.1 A meeting of the Audit Committee may be convened by any of its members or by the company secretary.

4.4.2 Unless otherwise agreed by all the members of the Audit Committee, notice of at least fourteen (14) days shall be given for a regular meeting of the Audit Committee. For all other meetings of the Audit Committee, reasonable notice shall be given. Irrespective of the length of notice being given, attendance of a meeting by a member shall be deemed waiver of the requisite length of notice by the member.

4.4.3 Agenda and accompanying supporting papers shall be sent to all members of the Audit Committee and to other attendees as appropriate at least three (3) days before the date of the meeting (or such other period as the members may agree).

#### 4.5 Minutes of meetings

4.5.1 Draft and final versions of minutes of the Audit Committee meetings shall be sent to all Audit Committee members for their comment and records within a reasonable time after the meeting.

4.5.2 Minutes of the Audit Committee shall be kept by the company secretary and shall be available for inspection by any member of the Audit Committee or the Board at any reasonable time on reasonable notice.

#### 4.6 Resolutions

4.6.1 Resolutions of the Audit Committee shall be passed by a majority of votes.

4.6.2 Without prejudice to any requirement under the Listing Rules, a resolutions in writing signed by all the members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

### **5. RESPONSIBILITIES**

5.1 The function of the Audit Committee is to assist the Board to provide an independent review of the effectiveness of the financial reporting process, risk management and internal control systems of the Company and its subsidiaries (the “Group”), to oversee audit process and to perform other duties and responsibilities as assigned by the Board.

5.2 The Audit Committee should serve as a focal point for communication between other directors, the external auditor, and the management as their duties relate to financial and other reporting, internal controls, and the audits.

- 5.3 The Audit Committee will report its findings in the annual and interim reports of the Company when:
- (a) the findings reveal any significant or material costs or damages to the Company;
  - (b) the findings reveal any material non-compliance with laws and regulations or standard principles of accounting; or
  - (c) the findings reveal any potential significant or material risks to the Company.

## **6. AUTHORITIES**

- 6.1 The Audit Committee is authorised by the Board to investigate any activity within the terms of reference set out herein.
- 6.2 The Audit Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purposes of discharging its duties.
- 6.3 A Director as a member of the Audit Committee may seek independent professional advice in appropriate circumstances at the Company's expense to discharge his/her duties as a member of the Audit Committee to the Company.
- 6.4 The Audit Committee shall be provided with sufficient resources to perform its duties.

## **7. DUTIES**

- 7.1 The duties of the Audit Committee include:

### *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 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. The Audit Committee shall discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

- (c) 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 and identifying and making recommendations on any matters where action or improvement is needed;

*Review of the Company’s financial information*

- (d) 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 shall 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 assumption and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.
- (e) regarding to paragraph 7.1(d):
  - (i) members of the Audit Committee shall 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*

- (f) to review the Company’s financial controls, risk management and internal control systems;

- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;
- (h) to consider major investigation 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;
- (i) 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;
- (j) to review the financial and accounting policies and practices of the Group;
- (k) to 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;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in the code provisions of Corporate Governance Code contained in Appendix 14 of the Listing Rules (as amended from time to time);
- (n) to consider other topics, as defined by the Board from time to time;
- (o) 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 shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (p) to act as the key representative body for overseeing the Company's relations with the external auditor.

## **8. REPORTING RESPONSIBILITY**

The Audit Committee should report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Audit Committee, the Chairman of the Audit Committee shall report to the Board on the findings and recommendations of the Audit Committee.

9. **ANNUAL GENERAL MEETING**

The Chairman of the Audit Committee or in his absence, another member of the Audit Committee shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Audit Committee's work and responsibilities.

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