八马茶业
BAMA TEA

Bama Tea Co., Ltd.
八馬茶業股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

Terms of Reference of the Audit Committee of the Board of Directors (H Shares)

Chapter 1 General Provisions

Article 1 To improve the corporate governance structure, enhance the efficiency and decision-making of the board of directors (the "**Board**"), and ensure effective supervision and management of the Board of Bama Tea Co., Ltd. (the "**Company**"), the Company formulated these terms of reference for the Audit Committee of the Board (the "**Rules**") in accordance with laws, regulations and normative documents including the Company Law of the People's Republic of China (the "**Company Law**") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"), the Articles of Association of Bama Tea Co., Ltd. (Applicable upon the Issuance of H Shares) (the "**Articles of Association**"), and the Terms of Reference of the Board of Bama Tea Co., Ltd. (H Shares) (the "**Terms of Reference of the Board**").

Article 2 The Audit Committee (the "**Committee**") is a special working body established by the Board. The Audit Committee is primarily responsible for coordinating, overseeing and inspecting the Company's internal and external audits. The Committee holds responsibility for and reports to the Board.

Article 3 The directors mentioned in these Rules refer to all the directors of the Company. Senior management refers to the general manager, co-general managers, deputy general managers, secretary to the Board and chief financial officer of the Company.

Article 4 These Rules shall be applicable to the Committee and the relevant personnel and departments of the Company mentioned in these Rules.

Chapter 2 Composition of the Committee

Article 5 The Committee shall consist of no less than three directors, and all of them shall be non-executive directors with the majority of its members being independent directors.

Members of the Committee shall possess financial expertise and management experience appropriate to their duties and at least one of them shall be an independent director with appropriate professional qualifications or appropriate accounting or related financial management expertise, and shall be in compliance with the qualification requirements of the Audit Committee as finance professionals under the Hong Kong Listing Rules.

A former partner of the external audit agency currently engaged by the Company shall not be a member of the Committee within two years from the date he/she ceases to be a partner of the current external audit agency or to have any financial interest in the current external audit agency (whichever is later).

Article 6 The members of the Committee shall be elected by more than half of all the directors under the Board.

Article 7 The Committee shall have a chairman, and shall be assumed by an independent director, who is responsible for presiding over the work of the Committee and is elected by the Board.

Article 8 The term of office of the Committee shall be the same as that of the Board, and the terms of office of the Committee members shall be the same as that of the directors. Members may be re-elected when their terms of office expire. The Board will conduct regular assessments on the independence and duty performance of the Committee members, and members who are not suitable to continue acting as members may be replaced, if necessary.

In the event of a Committee member ceased to be a director of the Company during his/her term of office, or if a member who should be in the capacity of an independent director has ceased to be independent as required under the Hong Kong Listing Rules, he/she will lose his/her eligibility to be a member, and the Board will re-elect a member to fill the vacancy in accordance with the requirements under the Hong Kong Listing Rules and these Rules. The term of office of the re-elected member shall continue until the end of the session of directorship of such member.

Article 9 A member of the Committee may tender his/her resignation to the Board before expiration of his/her term of office, and he/she should state his/her reason for resignation in the resignation report and shall give necessary explanation on matters that require attention from the Board. When the number of members of the Committee is less than the minimum number as stipulated in these Rules, the resigned members shall continue to perform his/her relevant duties until commencement of duties by the newly appointed members.

Article 10 The Committee members may be changed during their terms of office if such change is proposed by the Chairman of the Board and approved by the Board after discussion.

Article 11 A member of the Committee may concurrently act as a member of another special committee under the Board provided that he/she has sufficient capabilities to perform these duties.

Article 12 When the number of members or the composition of the Committee fails to meet the requirements under these Rules, the Board shall make adjustments in accordance with the requirements of these Rules or the Articles of Association.

Article 13 The Audit Committee may, according to the requirements of its work, designate relevant departments and personnel to assist with its work as needed.

Chapter 3 Duties and Authorities

Article 14 The Committee, on behalf of the Board, shall conduct independent assessment and supervision of the compliance, legality and efficiency of the Company's operating activities. The major duties and authorities of the Committee are as follows:

(I) to supervise the performance of duties of the directors and senior management of the Company, and propose the dismissal of any director or senior management who violates the laws, administrative regulations, the Articles of Association or the resolutions of the general meetings;

(II) when the acts of directors and senior management harm the interests of the Company, requiring the directors and senior management to make rectification;

(III) to review annually the performance of the external audit firm, submit a summary report of the audit work conducted by the external audit firm during the year to the Board; make proposals to the Board on appointment, renewal, and dismissal of the external audit firm next year, as well as its charges for auditing services, terms of appointment, and other issues; and deal with any matters in relation to resignation or dismissal of the external audit firm. If the Board disagrees with the opinion of the Audit Committee on the selection, appointment, resignation, or dismissal of the external audit firm, the Company shall set out the Audit Committee's statement elaborating on its proposal and the reasons why the Board holds different opinions in the Corporate Governance Report;

(IV) to act as the Company's representative in liaising with the external audit firm, to be responsible for the communication between the Company's internal audit department and external audit firm, including examining and monitoring of the independence and objectivity of the external audit firm, the effectiveness of the audit procedures in accordance with applicable standards; and, prior to the commencement of the audit procedures, discuss with the external audit firm about the nature, scope and method of audit and the reporting obligations during the year, and negotiate with the external audit firm to determine the schedule of auditing the financial report of the year, as well as procure the external audit firm to submit audit reports within the predetermined timelines and so forth. If more than one external audit firm is involved in the audit, the Audit Committee shall make sure they coordinate with each other;

(V) based on work demands, to make and enforce policies on the provision of non-audit services by the external audit firm, including its affiliates. The Committee shall report and advise to the Board on anything that, in its sole discretion, is in need of any action or improvement;

An affiliate of the external audit firm as mentioned herein shall include any entity under common control, management, or ownership with the external audit firm engaged by the Company, or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be a part of the external audit firm engaged by the Company domestically and internationally. The Committee shall ensure that the external audit firm's provision of any non-audit services will not impair its independence or objectivity. For the purposes of any non-audit services, the Committee shall consider the following matters:

1. In terms of competency and experience, whether the external audit firm is fit for the provision of non-audit services;

2. Whether there are any precautions to ensure that the external audit firm's objectivity and independence in audit will not be impaired by its provision of such services;

3. The nature of the non-audit services, relevant fee standard and, for the external audit firm, the level of individual service fee and aggregate service fee; and

4. The standard for determining the compensation for the auditing personnel.

(VI) to inspect the Company's accounting policies, financial position, financial reporting procedures, and financial control; review the authenticity, integrity, accuracy, and fairness of the Company's financial statements and quarterly reports (if any), semi-annual reports, and annual reports and accounts, and review any significant comments on financial reporting set out in the foregoing statements and reports, and review the disclosure of the Company's financial information. Before submitting the relevant statements and reports to the Board, the Audit Committee shall specifically review the following: any changes in the Company's accounting policies and estimates during the reporting period, matters involving important judgments, and significant adjustments made as required after the external audit firm reviews the accounts, assumptions or any qualified opinions on the Company's ability to continue as a going concern, and compliance of the accounting with the accounting standards and with any provisions on financial reporting of the Company Law, the Hong Kong Listing Rules, and other applicable laws and regulations;

The Committee members shall communicate in a timely manner with the Board, senior management, as well as internal and external audit firms on the aforesaid items requiring specific review. The Audit Committee members and the external audit firm shall meet at least twice a year without the attendance of executive directors (except those invited by the Audit Committee). Members of the Committee shall consider any significant or abnormal matters reflected or required to be reflected in the Company's reports and accounts, and shall duly consider any matters raised by the subordinated accounting and financial department, regulatory department, or audit firms of the Company;

(VII) to discuss any questions and doubts raised by the external audit firm after reviewing the Company's semi-annual accounts and annual accounts, and any other matters to be discussed as expected by the external audit firm (which, if needed, may be conducted in the absence of the management);

(VIII) to examine the Company and its subsidiaries' financial policies, internal audit rules, internal control rules, and risk management rules, and make comments and proposals on the improvement thereof, and:

1. to examine the Company's finance, accounting policies, practices, and any related changes;

2. to monitor the procedures for preparing regular financial reports (i.e. quarterly reports (if any), semi-annual financial reports, and annual financial reports), and reviewing regular financial reports, financial performance release, and other related information;

3. to discuss with the management on and evaluating the effectiveness of financial control, internal control, and risk management rules, to ensure that the management has performed its duty to establish effective financial control, internal control, and risk management rules; the discussion shall cover the sufficiency of the seniority and experience of the Company's resources and employees in connection with accounting and financial reporting functions, and the adequacy of budget for training courses received by the related employees and for accounting and financial reporting functions, any statement on the Company's internal monitoring system to be set forth in the annual report shall be presented to the Board for prior review;

4. proactively, or as appointed by the Board, to discuss the important investigation findings on internal control and the countermeasures to be taken by the management;

5. to ensure the coordination between the Company's audit department and the external audit firm; ensure the Company's audit department has sufficient resources for operation and appropriate authority and status within the Company, and examine and monitor the efficiency of the Company's audit department;

6. to supervise the Company's operations;

7. to review any inspection notes or management proposals issued by the external audit firm, any major doubts raised by the external audit firm on accounting records, financial accounts, or monitoring systems, and any responses to be given by the management;

8. to establish the Company's policies on hiring the external audit firm's employees and former employees together with the Board, and monitor the application of such policies. The Audit Committee shall consider whether such policies impair or appear to impair the judgment or independence of the external audit firm in audit;

9. to serve as the Company's major representative for interaction with the external audit firm and monitoring the relationship between them;

10. to ensure the Board's timely response to any inspection notes or management proposals given to the management by the external audit firm;

11. to develop and examine the Company's corporate governance policies and practices, and make proposals to the Board;

12. to supervise the training for and continuous professional development of directors and senior management;

13. to supervise the Company's policies and practices for compliance with laws and regulatory provisions;

14. to supervise the work of the Company's internal audit department, and making comments and proposals on the assessment and change of the head of the Company's internal audit department;

15. to supervise potential misconduct of the employees of the Company in financial reporting, internal monitoring, or that may otherwise occur;

16. to Examine the Company's compliance with the requirements of the Corporate Governance Code under Appendix C1 of the Hong Kong Listing Rules, including the disclosure requirements in the Corporate Governance Report;

17. to conduct regular review on the Company's connected persons and connected transactions and report the review opinions to the Board;

18. to report any matters in relation to any of the foregoing and discussing any other matters assigned by the Board;

19. to report to the Board on matters set forth in Appendix C1 of the Hong Kong Listing Rules, including code provision C3.3 thereof.

(IX) The Committee shall establish relevant procedures and policies to ensure fair and independent investigation and resolution of the following:

1. receive and process any complaints about the Company's accounting, internal control, or audit matters known to it and ensure the confidentiality thereof;

2. receive and process complaints or anonymous reporting about the misconduct of employees and those who deal with the Company (e.g. customers and suppliers) in accounting, audit matters, internal control, or other aspects and ensure the confidentiality thereof. Examine the procedures for the Company's employees and those who deal with the Company (e.g. customers and suppliers) to confidentially raise concerns about any misconduct that may occur in financial reporting, internal control, or other aspects, and ensure appropriate arrangement for the Company to conduct fair and independent investigation on such matters and take appropriate follow-up actions;

(X) to make proposals and ensure that the Board takes effective remedies for the Company's non-compliance with any provisions of the Hong Kong Listing Rules on the establishment of the Audit Committee;

(XI) to fulfill other tasks assigned by the Board;

(XII) to perform other duties assigned by laws, regulations, normative documents, the Hong Kong Listing Rules, the Articles of Association and the Terms of Reference of the Board.

The Company's senior management and the relevant departments shall be cooperative and supportive toward the Committee and proactively make available the relevant materials. The financial department shall regularly and truthfully make financial reports, fund operation reports, and other financial and accounting materials available to the Committee, promptly report any information on the relevant significant business operations, proactively cooperate with the Committee, and carefully consider the advice and requirements of the Committee.

Article 15 The following matters shall be submitted to the Board for consideration upon the approval of more than half of all the members of the Audit Committee:

(I) Disclose the financial information and internal control evaluation report in the financial and accounting reports and periodic reports;

(II) The appointment or dismissal of the accounting firm that undertakes the auditing work of the listed company;

(III) The appointment or dismissal of the person in charge of finance of the listed company;

(IV) Changes in accounting policies or accounting estimates or correction of significant accounting errors for reasons other than changes in accounting standards;

(V) Other matters stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's share certificates are listed, and the Articles of Association.

Article 16 The functions and powers of the chairman of the Committee are as follows:

(I) to convene and preside over regular and extraordinary meetings of the Committee;

(II) to supervise and inspect the work of the Committee and the implementation of its resolutions;

(III) to sign relevant documents of the Committee;

(IV) to report the work of the Committee to the Board;

(V) to attend the annual general meeting (in the absence of such attendance, by another member of the Committee or, if such member is unable to attend, his/her duly appointed proxy), and to answer questions (if any) relating to the work and responsibilities of the Committee at the meeting;

(VI) other matters as stipulated by laws, regulations, and the securities regulatory authorities where the shares of the Company are listed, and as authorized by the Articles of Association and the Board.

Article 17 The main duties and powers of the members are as follows:

(I) to attend meetings of the Committee on time, provide advice and vote on the matters discussed at the meetings;

(II) to propose matters for discussion at the meetings of the Committee;

(III) to attend relevant meetings of the Company as observers, conduct investigations and research, and obtain necessary reports, documents and materials for the performance of their duties;

(IV) to familiarize themselves with the Company's operations and management, business activities and development in relation to their duties;

(V) to devote sufficient working time and attention to the performance of their duties;

(VI) to perform other duties as conferred by laws, regulations, normative documents, the Hong Kong Listing Rules and the Articles of Association and Terms of Reference of the Board.

Chapter 4 Meetings of the Committee

Article 18 Meetings of the Committee can be classified as regular meetings and extraordinary meetings.

The Committee shall hold at least two regular meetings every year by issuing a 3 days' prior notice (excluding the day of the meeting) to all members.

Article 19 The Committee may convene extraordinary meetings when necessary. In any of the following circumstances, within 3 days of the occurrence of the relevant facts, the chairman of the Committee shall issue a notice to convene a meeting:

(I) in circumstances as deemed necessary by the Board;

(II) in circumstances as deemed necessary by the chairman of the Committee;

(III) when proposed by two or more members of the Committee.

Article 20 Notice of the meeting shall be delivered in writing to each Committee member and relevant person invited to attend the meeting 3 days prior to the date of the meeting (excluding the day of the meeting). The obligation to give advance notice may be waived in special circumstances, but the chairman of the meeting shall make an explanation at the meeting.

The notice of the meeting shall contain information on the method, time and venue, purpose and agenda of the meeting, date of issuance of the notice, contact person of the meeting and their contact details.

Article 21 Upon receipt of the notice of the meeting, each Committee member shall provide confirmation and any relevant feedback in a timely manner, such as confirmation of attendance or absence and any other arrangements.

Article 22 The members of the Committee shall attend the meeting in person. If a member is unable to attend the meeting in person, such member shall, by signing and submitting a letter of proxy, authorize another member of the Committee to attend and express opinion at the meeting on his/her behalf. Such letter of proxy shall expressly state the scope and term of the authorization.

A member may only authorize one other member to vote on his/her behalf. If two or more members are authorized to vote on their behalf, such proxy shall be invalid. No member shall accept any such authorization from two or more other members concurrently. The member attending meeting on behalf of another member shall exercise the rights within the scope of authorization.

A member who is unable to attend a meeting in person may also exercise his/her rights by submitting in writing his/her opinion with respect to any matter on the meeting agenda. Such written opinion shall be submitted to the secretariat of the Board before the meeting.

A member who fails to attend a meeting of the Committee in person or to authorize other members of the Committee to exercise his/her rights on his/her behalf, or does not submit written opinions before the meeting shall be deemed to have waived his/her rights.

Article 23 If any member of the Committee does not attend a meeting in person or submit any opinion in writing prior to the meeting, nor does he/she authorize another member to exercise his/her rights on behalf of the Committee on two consecutive occasions, the member shall be deemed incapable of performing the duties of the Committee, and the Board may change members of the Committee in accordance with these Rules.

Article 24 A meeting of the Committee shall be held only when more than two-thirds of the members are present. The meeting shall be presided over by the chairman of the Committee, who may appoint another member to do so on his/her behalf when he/she is unable to attend the meeting.

Article 25 When the chairman of the Committee neither performs his/her duties nor authorizes another member to exercise the duties on his/her behalf, any member may report the specific situation to the Board, and the Board shall designate another member who is an independent director to perform his/her duties.

Chapter 5 Procedure for Conducting Business

Article 26 Each member shall have one vote, and voting is divided into three categories: "for", "against" and "abstaining from voting". In the event of votes for and against is equal, the chairman of the Committee shall have the right to cast one additional vote. More than half of the votes of all members are required to pass a resolution.

When members vote on opinions, those members who are affiliated with the issues voted shall abstain from voting. If a valid resolution cannot be reached due to the abstention of members, the relevant matters shall be directly considered by the Board.

If necessary, the Committee may invite the Company's directors, senior management and external consultants to attend the meeting. Personnel present at the meeting may explain or clarify the matters discussed at the meeting, and non-members have no right to vote.

Article 27 In general, the Committee shall hold meetings in person. Method of voting shall be either by a show of hands or by poll.

Under special circumstances, on the premise that the members of the Committee are able to sufficiently express their opinion, with the consent of the chairman of the Committee, meetings may be held by means of remote communication. Where a meeting is conducted by means of remote communication, the Committee members shall submit to the Board their written opinions with respect to the matters to be discussed within the period prescribed by the notice of the meeting.

Article 28 The agenda items shall be discussed during the meeting of the Committee. The members of the Committee shall explicitly, independently and fully express their opinion. In the case of any different opinion, such different opinion shall be stated in the meeting minutes.

Article 29 The Committee may invite directors, senior management and relevant experts of the Company, external experts, scholars and intermediary agencies to attend the meeting. Such personnel invited to attend the meeting shall give explanations and elaborations on any issues as required by any Committee member.

The Company shall provide the Committee with sufficient resources to perform its duties. Upon the approval of the Board, the Committee may engage external professionals or institutions to provide professional opinions, and reasonable expenses shall be borne by the Company.

Article 30 All personnel attending the meeting shall have the obligation to keep all matters discussed at the meeting confidential and shall not disclose any information relating thereto without authorization.

Chapter 6 Minutes of the Committee Meetings

Article 31 Minutes shall be kept for meetings of the Committee. Minutes shall contain the following information:

(I) form, date, venue and name of the chairman of the meeting;

(II) attendance and absence of members in person and by proxy;

(III) name and title of each attendee;

(IV) abstention of any member (if any);

(V) agenda of the meeting;

(VI) main points raised by the members and attendees;

(VII) name and signature of the person taking minutes.

Article 32 The minutes shall be circulated to all Committee members within a reasonable time for their comments. If there is no comment, the members present at the meeting shall sign the minutes.

Article 33 Meeting minutes, written opinions of the members of the Committee, letters of proxy and other materials of the meeting of the Committee shall be submitted to the Board and retained by the secretary of the Board.

Chapter 7 Supplementary Provisions

Article 34 References to "related" in these Rules shall have the same meaning as "connected" referred to in Hong Kong Listing Rules.

Article 35 For the purposes of these Rules, the expressions "not less than","at least" and "more than" are inclusive of the stated figure.

Article 36 Unless otherwise stated, terms used in these Rules shall have the same meanings ascribed to them in the Articles of Association.

Article 37 For any matter not covered in these Rules, or in the event of any contradiction with any laws, relevant regulations, departmental provisions, the Hong Kong Listing Rules, other normative documents or the Articles of Association as amended under lawful procedures promulgated or amended after these Rules become effective, such laws, regulations, departmental provisions, the Hong Kong Listing Rules, other normative documents or the Articles of Association shall prevail.

Article 38 These Rules have been considered and approved by the Board, and shall become effective and applicable from the date on which the H Share certificates publicly issued by the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Article 39 These Rules shall be interpreted and amended by the Board.

These Rules are available in both Chinese and English. In the event of any discrepancy, the Chinese version shall prevail.