Sichuan Baicha Baidao Industrial Co., Ltd.
四川百茶百道實業股份有限公司

TERMS OF REFERENCE AND RULES OF PROCEDURES OF AUDIT COMMITTEE

1. **Members**

1.1 The Audit Committee ("**Audit Committee**") shall be established by the Board of the Company (the "**Board**") and it shall be composed of a minimum of three members.

1.2 The Audit Committee shall be composed of non-executive Directors only. The majority of members of the Audit Committee must be independent non-executive Directors of the Company, and at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.

1.3 The chairperson of the Audit Committee must be appointed by the Board, and he/she must be an independent non-executive Director.

1.4 If the Audit Committee comprises a non-executive Director, a former partner of the Company's existing audit firm shall not act as a member of the Audit Committee for a period of one year from the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.

1.5 The terms of appointment of members of the Audit Committee shall be determined by the Board at the appointment date.

2. **Secretary**

2.1 The joint company secretary (the "Joint Company Secretary") of the Company shall act as the secretary to the Audit Committee.

2.2 The Audit Committee may, from time to time, appoint any other person with appropriate qualification and experience to act as the secretary to the Audit Committee.

3. **Meetings**

3.1 The Audit Committee shall convene meetings at least twice a year. The external auditors of the Company can call for a meeting if necessary.

3.2 Due notice should be given for any meeting, unless such notification is waived by all members of the Audit Committee. Notwithstanding the notification period, the attendance of members of the Audit Committee at the meeting would be deemed to be as the waiver of the required notification requirement.

3.3 The quorum necessary for convening the meeting of the Audit Committee shall be two members of the Audit Committee, one of whom must be an independent non-executive Director.

3.4 Meeting can be attended in person or via telephone or videoconferencing. The members of the Audit Committee can attend the meeting via telephone or similar communication device (all persons attending such meeting shall be able to hear from such member via such communication device).

3.5 Resolutions of the Audit Committee should be passed by more than half of its members.

3.6 The resolution signed in writing by all members of the Audit Committee is valid, and the validity is the same as if it is passed in the meeting duly convened and held by the Audit Committee.

3.7 Full minutes of the Audit Committee shall be kept by the Joint Company Secretary or the duly appointed secretary to the Audit Committee for review by the Directors. Minutes shall be open for inspection at any reasonable time on reasonable notice by any Director. Minutes should record in sufficient detail the matters considered and decisions reached at the meeting, including any concerns or objections raised by the Directors. Draft and final versions of the minutes shall be sent to all members of the Audit Committee successively for their comments and records, within a reasonable time after the meeting.

4. Meeting Attendance

4.1 The representatives of the external auditor and the Audit Committee shall convene meetings at least twice a year, without the attendance from the executive Directors (except for the one invited by the Audit Committee).

4.2 Upon the invitation from the Audit Committee, the following persons can attend the meeting: (i) head of internal audit department or (if absent) the representative from internal audit department; (ii) senior financial manager (or equivalent); and (iii) the other Board members.

4.3 Only the members of the Audit Committee can vote in the meeting.

5. Annual General Meeting

5.1 The chairperson of the Audit Committee or (if absent) the other member of the Audit Committee (must be an independent non-executive Director) shall attend the annual general meeting of the Company, respond the shareholders' enquiry on the activities and responsibilities related to the Audit Committee.

6. Duties and Powers

The Audit Committee is responsible for reviewing and monitoring the financial reporting, risk management and internal control system of the Company, and assist the Board to fulfil its responsibility over the audit. The Audit Committee's duties and powers shall include:

6.1 Relationship with the Company's external auditors

6.1.1 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 question of its resignation or dismissal;

6.1.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

6.1.3 to develop and implement policy on the 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;

6.1.4 to report to the Board, and make recommendations on any matters where action or improvement is needed; and

6.2 Reviewing of the Company's financial information

6.2.1 to monitor integrity of the Company's financial statements and annual report and accounts, interim report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these statements and reports before submission to the Board, the Audit Committee shall focus particularly on:

(a) any changes in accounting policies and practices;

(b) major judgement opinions;

(c) significant adjustments resulting from audit;

(d) the going concern assumptions and any qualifications;

(e) compliance with accounting standards; and

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

6.2.2 Regarding the paragraph 6.2.1 above,

(a) the members of the Audit Committee shall liaise with the Board and senior management. The Audit Committee must meet, at least twice a year, with the Company's external auditors; and

(b) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it shall 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 external auditors;

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

6.3.1 to review the Company's financial controls, and unless expressly addressed by a separate risk committee under the Board, or by the Board itself, to review the Company's risk management and internal control systems;

6.3.2 to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to establish effective systems. The discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting functions;

6.3.3 to consider major investigation findings on risk management and internal control matters on its own initiative or as delegated by the Board and management's response to such findings;

6.3.4 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;

6.3.5 to review the Group's financial and accounting policies and practices;

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

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

6.3.8 to act as the key representative body for overseeing the Company's relationship with the external auditor;

6.3.9 to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, 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;

6.3.10 to report to the Board on the matters in the code provisions under Appendix XIV of the Listing Rules;

6.3.11 to consider other topics, as defined by the Board;

6.3.12 where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company shall include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and the reason(s) why the Board has taken a different view;

6.4 Performing the Company's corporate governance procedures;

6.4.1 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

6.4.2 to review and monitor the training and continuous professional development of the Directors and senior management of the Company;

6.4.3 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

6.4.4 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors of the Company; and

6.4.5 to review the Company's compliance with the code provisions and disclosure in the Corporate Governance Report of the Company.

7. **Reporting**

7.1 The Audit Committee shall report to the Board after each of its meetings.

8. Authority

8.1 The Audit Committee is authorized by the Board to inspect all accounts, account books and records of the Company.

8.2 In order to fulfill its duties, the Audit Committee is eligible to request the management of the Company to provide any data related to the financial status of the Company, its subsidiaries or affiliated companies.

8.3 The Audit Committee shall have access to independent professional advice at the Company's expense if necessary, to perform the responsibilities of the Audit Committee.

Note: the independent professional advice can be sought via the chief financial officer or the Joint Company Secretary.

8.4 The Audit Committee shall be provided with sufficient resources to perform its duties.

Note: "Senior management" refers to the same persons referred to in the Company's annual report. It is the responsibility of the Directors of the Company to determine which individual or individuals constitute senior management. Senior management may include the directors of subsidiaries of the Company, heads of divisions, departments or other operating units within the group as, in the opinion of the Company's directors, is appropriate.