

Tian Tu Capital Co., Ltd.

Terms of Reference of the Audit Committee of the Board of Directors

Chapter 1 General

Article 1 Pursuant to the Company Law of the People's Republic of China (hereinafter referred to as the "**Company Law**"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "**Listing Rules**"), Appendix 14 to the Listing Rules (hereinafter referred to as the "**Corporate Governance Code**") and A Guide for Effective Audit Committees published by the Hong Kong Institute of Certified Public Accountants and other relevant laws, regulations, regulatory documents and the Articles of Association of Tian Tu Capital Co., Ltd. applicable after the issuance of H shares (hereinafter referred to as the "**Articles of Association**"), Tian Tu Capital Co., Ltd. (hereinafter referred to as the "**Company**") has, according to the resolution of the board of directors (hereinafter referred to as the "**Board**"), decided to set up an audit committee of the Board, and hereby formulate the Terms of Reference of the Audit Committee of the Board of Directors of Tian Tu Capital Co., Ltd. (hereinafter referred to as the "**Terms of Reference**") by taking into account the Company's actual conditions, in an effort to strengthen the decision-making capacity of the Board of the Company, continually enhance the formation of the Company's internal control system, ensure the Board's effective supervision and administration and continually enhance corporate governance structure.

Article 2 The Audit Committee of the Board is a specialized working body under the Board of the Company, which is principally responsible for reviewing the Company's financial condition and financial information, judging the authenticity, completeness and accuracy of the financial information, and inspecting the implementation and performance of the internal control system. It is mainly responsible for the communications between the Company and the external auditor, as well as its supervision and assessment, overseeing internal audit, evaluating and improving the internal control system of the Company, and making recommendations on the same. It is also mainly responsible for conducting risk assessment on major investment projects of the Company in operation. The Audit Committee of the Board shall report to the Board.

Chapter 2 Composition

Article 3 The Audit Committee shall consist of three (3) or more directors, all members of the Committee shall be non-executive directors, and the majority (over half (1/2)) of the members shall be independent non-executive directors. The chairman of the Audit Committee shall be an independent non-executive director.

Members of the Audit Committee shall have certain experience in financial, accounting, audit and legal, and be equipped with relevant professional expertise or working experience. At least one of the members of the Audit Committee shall be 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 Listing Rules.

Partners of the existing external audit firm engaged by the Company shall be prohibited from acting as a member of the Audit Committee for a period within two (2) years from the date of the person ceases to be a partner of the audit firm or to have any financial interest in the existing external audit firm, whichever is later.

Article 4 Members of the Audit Committee shall be nominated by the chairman of the Board or the nomination committee of the Board, and shall be elected by more than half of all directors of the Board. After the proposal of electing members of the Committee has been approved, the new members of the Committee shall take office immediately after the conclusion of the meeting of the Board.

Article 5 The Audit Committee shall have a convener, namely the chairman of the Committee, who shall be an independent non-executive director. The chairman of the Committee shall be appointed by the Board and take charge of the work of the Committee. Where the chairman of the Committee is unable or fails to fulfill his/her duty, an independent non-executive director shall be elected by over half (1/2) of the members of the Committee to act in his/her stead.

Article 6 The term of office of the members of the Audit Committee shall be consistent with that of directors of the Board. Each member of the Committee shall be eligible for re-election upon the expiry of his/her term of office. During his/her term of office, if any Committee member ceases to be a director of the Company, or any Committee member as an independent non-executive director ceases to have the independence as required under the Articles of Association and the Listing Rules, his/her qualification as a member of the Committee shall be lost automatically. A member of the Audit Committee may submit his/her resignation report in writing to the Board prior to the expiry of his/her term of office to resign from his/her existing position. The resignation report shall contain such reasons for resignation and matters which need attention of the Board of the Company as necessary. Upon the loss of qualification or the permission to resign, the position(s) vacated by such member(s) shall be filled by the Board according to the relevant laws, regulations, regulatory documents and the provisions of Articles 3 to 5 as set forth above. The substitute member(s) shall hold office until the expiration of his/her term of office as a director or independent non-executive director. A member of the Committee shall not, before the expiry of his/her term of office, be relieved of his/her duties without cause except for the situations that prevent such member(s) from holding the office specified in the Company Law, the Articles of Association or the Listing Rules.

Article 7 Apart from directors' remuneration and advance, the members of the Audit Committee shall not directly or indirectly charge the Company in terms of consulting fee, advisory fee or other kinds of rewards.

Chapter 3 Duties and Authorities

Article 8 The Audit Committee shall disclose its duties on the websites of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "**Hong Kong Stock Exchange**") and the Company, explaining its role and the delegated authority by the Board. The specific duties of the Audit Committee include:

- (I) to review annually the performance of the external audit firm, submit an annual summary report of the audit work conducted by the external audit firm for the Company during the year to the Board, and make proposals to the Board in respect of the appointment, re-appointment or dismissal of the external audit firm next year as well as the remuneration for auditing service, terms of engagement, etc., and deal with matters related to the resignation or dismissal of the external audit firm. Where the Board of the Company disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external audit firm, the Company shall include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board of the Company has taken a different view;

- (II) to act as the Company's representative in liaising with the external audit firm, communicate between the Company's internal risk control department and external audit firm, including the review and supervision of the independence and objectivity of the external audit firm and the effectiveness of the auditing procedures in accordance with applicable standards; and, before the commencement of any audit work, discuss with the external audit firm about the nature, scope and method of audit and the related reporting obligations during the year, and discuss with it to fix the timing of auditing the financial report of the year, as well as supervise the submission of the audit reports by the external audit firm within the agreed time limit and so forth. If more than one external audit firm is involved, the Committee shall make sure they coordinate with each other;
- (III) to formulate and implement policies on the provision of non-audit services by the external audit firm (including its affiliates) according to the work demand. The Audit Committee shall report and make recommendations to the Board in respect of any actions or improvements it deems necessary;

For this purpose, the affiliates of the external audit firm shall include any entity that is 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 part of the external audit firm nationally or internationally. The Audit Committee shall ensure that the provision of non-audit services by the external audit firm will not harm its independence or objectivity. As to the non-audit services, the Audit Committee shall take into account the following issues:

1. whether the skills and experience of the external audit firm make it a suitable supplier of the non-audit services;
2. whether pre-cautions are taken to ensure that the external audit firm's objectivity and independence in auditing shall not be influenced by providing such services;
3. the nature of non-audit services, fee level, separate and lump sum fee of the services provided by such external audit firm; and
4. standard for determining auditors' remuneration.

The Audit Committee shall report to the Board on actions or improvements it deems necessary, and make recommendations on possible measures to be taken;

- (IV) to review the Company's accounting policies, financial condition, financial reporting procedures and financial control; to review the completeness, accuracy and fairness of the financial statements, the quarterly (if any), interim and annual reports and the accounts of the Company and review significant financial reporting opinions contained therein, as well as the disclosure of the Company's financial information. Prior to submitting the relevant statements and reports to the Board, the review shall focus particularly on the following matters: any changes in accounting policies, practices and estimates of the Company during the reporting period; any issues involving significant judgment; such significant adjustments to be made as shall be requested by the external audit firm upon its completion of audit; the going concern assumptions of the Company and any qualified opinions; whether the accounting is in compliance with accounting standards and provisions relating to financial reporting under the Company Law, the Listing Rules and other applicable laws and regulations;

Regarding the above items that shall draw particular focus in the reviewing process, the members of the Audit Committee shall communicate with the Board and senior management as well as the internal and external auditors in a timely manner. Members of the Audit Committee shall meet with the external audit firm at least twice a year without the attendance of executive directors (except those invited by the Audit Committee). Members of the Audit Committee shall consider the material or irregular matters reflected or required to be reflected in the Company's reports and accounts, and shall give due consideration to matters raised by the Company's accounting and finance departments, supervisory departments or auditors;

- (V) to discuss questions and doubts raised by the external audit firm upon its completion of reviewing the interim accounts and of auditing the annual accounts of the Company, and any other matters that the external audit firm may wish to discuss (in the withdrawal of management if necessary);
- (VI) to examine the financial monitoring, financial policies, internal audit system, internal control system and risk management system of the Company and provide opinions and recommendations for improvements, and also:
1. examine the Company's financial, accounting policies and practices and any relevant changes;
 2. monitor the process of compiling the regular financial reports (quarterly reports (if any), interim financial reports and annual financial reports), and examine the relevant information including the regular financial reports and financial results announcements;
 3. discuss with the management and assess the effectiveness of the financial control, internal control and risk management systems, to ensure that the management has fulfilled its duties in establishing effective financial control, internal control and risk management systems, and discussions shall cover the adequacy of resources, staff qualifications and experience, training programs and related budget of the Company's accounting and financial reporting function; and review the statements (if any) on the internal control system of the Company contained in the annual report before submitting them to the Board for approval;

4. consider, on its own initiative or as delegated by the Board, major investigation results on risk management and internal control matters and relevant responses and relevant measures taken by the management;
5. ensure co-ordination between the risk control department of the Company and the external audit firm, and also ensure that the risk control department of the Company has sufficient resources, appropriate authorities and standing within the Company, and review and monitor the effectiveness of the work of the risk control department of the Company;
6. review the operating, financial and accounting policies and practices of the Company and its subsidiaries;
7. review the external audit firm's letter of examination or proposals to management, material queries raised by the external audit firm about accounting records, financial accounts or control system, and the relevant responses by the management;
8. set up the Company's policies jointly with the Board relating to the hiring of employees and former employees of the external audit firm, and monitor the application of such policies. The Audit Committee should consider whether such application has harmed or appeared to harm the external audit firm's judgment or independence in respect of the audit;
9. act as the key representative for overseeing the Company's relation with the external audit firm;
10. ensure the Board's timely response to the external audit firm's letter of examination or proposals to management;
11. formulate and review the corporate governance policies and practices of the Company and make recommendations to the Board in respect thereof;
12. review and monitor the training and continuous professional development for directors and senior management;
13. review and monitor the policies and practices of the Company in respect of compliance with laws and regulatory requirements;
14. supervise the work of the internal risk control department of the Company, and provide opinions and recommendations on the appraisal and change of persons in charge of the internal risk control department of the Company;
15. monitor against any possible improprieties of the employees of the Company in financial reporting, internal control or other matters;
16. review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;
17. report matters related to the above to the Board, and consider such other matters as arranged by the Board; and

18. report to the Board on the matters specified in Code Provision D3.3 of the Corporate Governance Code.

(VII) to establish relevant procedures and ensure the impartial and independent investigation and resolution of the following matters:

1. to receive and handle the complaints about the Company's accounting, internal control or auditing, and ensure its confidentiality;
2. to receive and handle the complaints or anonymous whistle-blowing by employees concerning the irregularities in the Company's accounting, auditing, internal control or any possible improprieties in other aspects, and ensure its confidentiality; to review the procedure according to which the employees of the Company can raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence, and ensure that proper arrangements are in place for fair and independent investigation on these matters and for appropriate follow-up actions by the Company;

(VIII) to advise and ensure that the Board takes effective remedial measures for the Company's failure to comply with the requirements of the Listing Rules regarding the establishment of an audit committee.

(IX) to complete other tasks assigned by the Board.

(X) to fulfill other duties imposed by the laws, regulations, regulatory documents, regulatory bodies including the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong, as well as the Articles of Association and the rules of procedures of the Board.

The senior management and relevant departments of the Company shall be cooperative and supportive to the Audit Committee and shall take the initiative in providing relevant information. The finance department shall regularly and faithfully provide financial and accounting information including financial reports and capital operation reports to the Audit Committee. It shall report, in a timely manner, significant business operating activities, actively cooperate with the Audit Committee in its work, and carefully listen to the recommendations provided and requests made by the Audit Committee.

Article 9 The Audit Committee is accountable to the Board. Its proposals shall be submitted to the Board regularly for the Board's consideration and decision. The Audit Committee shall cooperate with the Supervisory Committee in supervising the auditing activities conducted by the Supervisory Committee.

Article 10 The chairman of the Audit Committee is primarily authorized:

- (I) to convene and preside over meetings of the Audit Committee;
- (II) to take charge of the daily operation of the Audit Committee;
- (III) to review and sign the reports and other important documents of the Audit Committee;
- (IV) to check the implementation of the resolutions and proposals of the Audit Committee;

(V) to report to the Board on behalf of the Audit Committee;

(VI) other duties as shall be fulfilled by the chairman of the Audit Committee.

Chapter 4 Working Procedures

Article 11 The risk control department shall assist the Audit Committee in handling the Company's daily internal audit affairs.

Article 12 The risk control department shall be responsible for the preliminary preparation for the decision-making of the Audit Committee. It provides the following written materials of the Company:

(I) relevant financial reports of the Company;

(II) work reports of internal and external audit firms;

(III) external audit contracts and relevant work reports;

(IV) public disclosure information of the Company;

(V) the Company's related (connected) transactions agreements, audit reports on major related (connected) transactions and feedback on the investigation of related (connected) persons;

(VI) financial and legal information about major investment projects;

(VII) relevant work reports on the Company's internal control system and its implementation;

(VIII) other relevant information.

The Audit Committee fulfills the primary duties under Article 8 of the Terms of Reference based on the information provided by the daily office.

Article 13 The working manner of the Audit Committee:

(I) During the meetings of the Audit Committee, the Audit Committee discusses the work plans of the internal audit, listens to the work reports made by the Company's finance department, comments on the reports provided by the audit department, and reviews the quarterly (if any), interim and annual financial reports of the Company, etc. The Audit Committee may make decisions based on the opinions of experts from the professional institutions and submit the matters that require to be decided by the Board to the Board for discussion, which mainly include:

1. the evaluation of work conducted by the external audit firm, the appointment and removal of the external audit firm, approval of the remuneration and appointment terms applicable to the external audit firm;

2. whether the Company's internal control system and internal audit system have been effectively implemented, and whether its financial report is complete and true;

3. whether the information (including financial reports) disclosed to the public by the Company is objective and true, and whether major related (connected) transactions of the Company are in compliance with the relevant laws and regulations;
 4. evaluation of the work of the Company's finance department and audit department and the respective persons in charge;
 5. other relevant matters;
- (II) In the preparation and the disclosure of the Company's annual financial report, the Audit Committee shall comply with the following working rules and procedures:
1. to negotiate and determine the schedule of the audit work of the financial year with the external audit firm which is responsible for the audit of the Company's financial report of that year (hereinafter referred to as the "Annual Audit CPA") in a timely manner after the end of the financial year;
 2. to supervise the submission of the audit reports by the Annual Audit CPA within the agreed time limit;
 3. to review the financial accounting statements prepared by the Company before the Annual Audit CPA commences its work;
 4. to review the financial accounting statements of the Company after the Annual Audit CPA has issued its preliminary audit opinion;
 5. to convene meetings of the Audit Committee to review the financial reports, make recommendations for the re-appointment or replacement of the Annual Audit CPA for the following year, and compile a report summarizing the Company's audit work engaged by the Annual Audit CPA for the current year.

The chairman of the Audit Committee or (if absent) another member of the Audit Committee (an independent non-executive director), shall attend the annual general meeting of the Company, and respond to the shareholders' questions on the activities and responsibilities of the Audit Committee.

Chapter 5 Rules of Procedure

Article 14 Meetings of the Audit Committee include regular meetings and extraordinary meetings.

Regular meetings of the Audit Committee shall be held at least twice annually, and shall be convened before the regular meeting of the Board of the Company, for discussing the opinions and recommendations to be submitted to the Board. The interim and annual financial statements of the Company shall be reviewed and discussed at the two meetings of the Audit Committee held annually.

The chairman of the Audit Committee may convene the extraordinary meetings at his/her own discretion or at the request of the independent accountant or internal auditor. An extraordinary meeting may also be convened upon the proposal submitted by over half of the members of the Committee or according to the recommendation made by the chairman of the Board.

Article 15 Meetings of the Audit Committee shall be convened by the chairman of the Committee. Notice of meeting, signed by the chairman of the Committee, and materials for meeting shall be delivered to all members of the Committee three (3) days prior to the meeting. Upon unanimous consent of all members of the Committee, the requirement on such prior notice period may be exempted.

Article 16 Meetings of the Audit Committee shall be presided over by the chairman of the Committee. The chairman of the Committee may, when unable to attend the meeting, authorize another Committee member who is an independent non-executive director to preside over the meeting in his/her stead. Extraordinary meetings shall not be subject to the above notice period.

Article 17 The quorum for meetings of the Audit Committee shall be over two thirds (2/3) of the total members of the Committee, one of whom shall be an independent non-executive director. Members who cannot attend a meeting may authorize, in writing, other members to attend and vote on his/her behalf. The form of proxy, containing the name of the proxy, the matters delegated, the scope of authorization and the validity period of such authorization, and signed or stamped by the appointer, shall be submitted to the presider of the meeting no later than the time when voting takes place.

Resolutions proposed at a meeting shall be passed by the affirmative votes of more than half of the members of the Committee. The resolutions or opinions shall be signed by members of the Audit Committee attending such meeting. Each member of the Committee shall have one vote. Voting decisions include “For”, “Against” and “Abstention”. If the “For” and “Against” are equal, the chairman of the Committee shall be entitled to an additional vote.

Article 18 Meetings of the Audit Committee may be in such appropriate forms as on-site meetings, telephone conference, video conference, circulation of documents, fax, mail, etc.

Article 19 The person-in-charge of the risk control department may sit in a meeting of the Audit Committee. Where necessary, a director, supervisor and senior management of the Company may also be invited to sit in a meeting of the Committee, but shall have no right to vote on the proposals of the meeting if he/she is not a member of the Committee.

Article 20 The Company shall provide sufficient resources to the Audit Committee to fulfill its duties. The budget of expenses of the Audit Committee is included as part of the budget of the Company. In fulfilling its duties, the Audit Committee has the right to, where necessary, engage professionals including lawyers, certified public accountants, and certified auditors, etc. to provide professional opinions on its decision-making with the reasonable cost borne by the Company.

Article 21 The convening procedures of, voting method of and proposals passed at the meetings of the Audit Committee shall comply with relevant laws and regulations, the Articles of Association, the Listing Rules and the Terms of Reference.

Article 22 Detailed and complete minutes of meetings of the Audit Committee shall be prepared, on which members present at the meetings shall sign. Minutes of meetings of the Committee shall be properly kept by the secretary to the Board of the Company for at least ten (10) years during the existence of the Company. Draft and final versions of minutes of meetings of the Committee shall be circulated to all members of the Audit Committee for their comment and record purpose respectively, in both cases within a reasonable time after each meeting. Upon signing by members of the Audit Committee who attended the meeting, the minutes shall be submitted to all members of the Board for circulation. Resolutions of the Audit Committee shall come into force after being signed by the attending members, and no amendment or modification shall be made to any Committee resolutions that have come into force unless the legal procedures required by laws, regulations, Articles of Association and the Terms of Reference have been carried out. Proposals passed at the meeting of the Committee and the voting results shall be reported in writing to the Board.

Article 23 The minutes of the Audit Committee meetings shall include at least the followings: the date, venue and name of convener of the meeting; the names of the attendees with specific notes on whether a proxy is authorized for the meeting; the meeting agenda; the key points of the members' speeches; the voting method and poll results for each resolution or proposal; other matters need to be indicated and recorded in the meeting minutes.

Article 24 Members present at meetings of the Committee, and those present as observers, shall owe a duty of confidentiality as regards matters discussed during such meetings. No unauthorized disclosure of such information shall be allowed, save as is otherwise stipulated under relevant laws, regulations and/or rules of regulatory bodies.

Chapter 6 Supplementary Provisions

Article 25 A numeral expression with “over” and “within” as referred to in the Terms of Reference includes the number indicated, and the phrase “more than half” does not include the number indicated.

Article 26 The Terms of Reference have been approved by the Board upon consideration and shall become effective and come into force from the date on which the H shares of the Company's initial public offering are listed and traded on the Hong Kong Stock Exchange. Any amendment or interpretation of the Terms of Reference shall be done by the Board.

Article 27 Any matters not covered herein shall be implemented in accordance with the relevant laws and regulations, departmental rules, relevant regulatory provisions of the place(s) where the shares of the Company are listed including the Listing Rules and the Articles of Association. Where the Terms of Reference conflicts with any relevant laws and regulations, departmental rules, relevant regulatory provisions of the place(s) where the shares of the Company are listed including the Listing Rules, or the Articles of Association, such laws and regulations, departmental rules, relevant regulatory provisions of the place(s) where the shares of the Company are listed including the Listing Rules, and the Articles of Association shall prevail, in which case the Terms of Reference shall be amended forthwith and submitted to the Board for consideration and approval.

Tian Tu Capital Co., Ltd.
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