

蘭州莊園牧場股份有限公司
(Lanzhou Zhuangyuan Pasture Co., Ltd. *)
Audit Committee of the Board of Directors
Terms of Reference

Chapter 1 General

Article 1 Lanzhou Zhuangyuan Pasture Co., Ltd.* (the “Company”) has established an audit committee (the “Audit Committee”) under the board of directors (the “Board”) and formulated these terms of reference (“Terms”) in accordance with pertinent laws and regulations, including the Company Law of the People’s Republic of China (《中華人民共和國公司法》) (the “Company Law”), the Corporate Governance Standards for Listed Companies (《上市公司治理準則》) and the Guidelines on the Regulated Operation for Companies Listed on the SME Board of Shenzhen Stock Exchange (《深圳證券交易所中小企業板上市公司規範運作指引》), Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (“Hong Kong Listing Rules”) and other regulatory documents and the Articles of Association of Lanzhou Zhuangyuan Pasture Co., Ltd.* (the “Articles”) and the Rules of Proceedings of the Board of Directors to perfect the corporate governance structure of the Company, improve the internal control system of the Company, facilitate standardized, prudent and sustained development of the Company, strengthen the decision-making functions of the Board with pre-event professional auditing, and ensure effective supervision of the operational management by the Board.

Article 2 The Audit Committee of the Board is a specialized working institution set up by the Board in accordance with the Articles. It shall primarily be responsible for the communication between and supervision and verification of internal and external functions; examination of the financial information of the Company and its disclosure; assessment and perfection of the internal control regime of the Company; and review of the risk management system of the Company.

App14-C.
3.3 (f)

Chapter 2 Composition

Article 3 The Audit Committee shall comprise 3 non-executive directors, more than one half of which shall be independent non-executive directors. At least one independent non-executive directors among the committee members must have appropriate professional qualifications or accounting or related financial management expertise, as stipulated under Rule 3.10 (2) of the Hong Kong Listing Rules.

LR3.21)

LR3.21)

Article 4 Members of the Audit Committee shall be nominated by the chairman of the Board, more than half of the independent non-executive directors or one-third

of all directors, and shall be elected by the Board.

Article 5 The Audit Committee shall have one principal member (namely, chairman or convener), who shall be an independent non-executive director with professional accounting qualifications and responsible for overseeing the work of the Audit Committee. The committee chairman shall be elected with the affirmative votes of more than half of all members of the Audit Committee.

LR3.21)

Article 6 The term of office of a member of the Audit Committee shall be concurrent with that of the Board. A member of the Audit Committee may serve further terms if re-elected upon conclusion of his / her current term. If any committee member ceases to be a director or independent non-executive director of the Company during his / her term of office, he / she shall automatically cease to be a member of the Audit Committee. The vacancy shall be filled in accordance with Articles 3 to 5 of these Terms.

Where re-election is not conducted when due upon conclusion of the term of office of the Board, non-executive directors serving as members of the Audit Committee prior to the expiration shall continue to perform their duties as such in accordance with provisions of the laws, administrative regulations, departmental rules, the Articles and these Terms until the re-elected directors take office.

Article 7 The Company shall set up an internal audit department to conduct inspection and supervision in respect of the establishment and implementation of the internal control system of the Company, as well as the truthfulness and completeness of the financial information of the Company. The internal audit department shall be accountable and shall report to the Audit Committee.

Chapter 3 Duties and Powers

Article 8 The primary duties and powers of the Audit Committee shall be as follows:

(I) to propose the appointment or replacement of the external auditor, monitor the independence and objectiveness of the external auditor and the effectiveness of its audit procedures, approve the remuneration and engagement terms for the external auditor, and formulate policies in respect of the engagement of auditors for the provision of non-audit services;

App14-C.3
.3 (a), (b)
and (c)

(II) to inspect the accounting policies, financial conditions and financial reporting procedures of the Company;

App14-C
.3.3 (j)

(III) To conduct appraisal of the internal audit personnel and their work, supervise the

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.3.3 (i)

internal audit system of the Company and its implementation, and ensure the availability of sufficient internal resources for the operation of the audit department;

(IV) to be responsible for the communication between internal audit personnel and the external auditor;

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.3.3 (i)

(V) to examine the internal controls of the Company and organize day-to-day supervision and inspection of the responsibility regime; to be responsible for instructions prior to an event, supervision during the event and inspection after the event in respect of the responsibility regime of the Company, improve the internal monitoring mechanism and conduct audit in respect of material connected transactions; to consider resources of the Company available for the accounting and financial reporting functions, whether relevant personnel involved are sufficiently qualified and experienced, and whether training courses received by personnel involved and related budgets are sufficient; and to study the findings of important investigations in respect of internal control matters (whether such investigations have been conducted by the Audit Committee under the mandate of the Board or at the own discretion of the Audit Committee) and the response of the Board;

App14-C
.3.3 (g)
and (h)

(VI) To inspect and supervise existing or potential risks of the Company, such as those in relation to financial control, internal control and the risk management system;

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.3.3 (f)

(VII) to examine the financial information of the Company and its disclosure, with special attention to the following matters: any changes, including changes in accounting policies and practices; matters involving significant judgments; significant adjustments occurring as a result of the commencement of audit activities; the ongoing concern assumption and any qualified opinion; whether relevant accounting standards which require compliance have been complied with; compliance with applicable laws and regulations and provisions of the Hong Kong Listing Rules relating to financial reporting, including new rules recently announced by professional and regulatory bodies, and understanding of its possible impact on financial reporting;

App14-C
3.3 (d) (i)
(ii) (iii)
(iv) (v)
and (vi)

(VIII) to review the external auditor's letter to the Board, including material queries raised by any auditor to management regarding accounting records, financial statements or the internal control system and management's response;

App14-C
.3.3 (k)

(IX) to ensure timely responses by the Board to issues raised in the external auditor's letter to management;

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.3.3 (l)

(X) to examine whether proper whistleblowing arrangements are put in place by the Company for the reporting or complaint by Company staff of the Company's violations in financial reporting, internal control or other aspects, and ensure the establishment and implementation of appropriate arrangements by the Company for the fair and independent investigation and follow-up of related matters; and to formulate a whistleblowing policy and system for employees and those who deal with the Company (such as customers and

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.3.7 (a)

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.3.8

suppliers) to raise concerns, in confidence, with the Audit Committee about any possible improprieties relating to the Company;

(XI) to inspect the Company's compliance with laws and regulations;

(XII) other matters as authorized by the Board;

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.3.3 (n)

(XIII) other duties as stipulated by the China Securities Regulatory Commission, the Shenzhen Stock Exchange and the Hong Kong Listing Rules.

Article 9 In directing and supervising the work of the internal audit department, the Audit Committee shall perform the principal duties as follows:

(I) to direct and supervise the establishment and implementation of the internal audit system;

(II) to convene, at least on a quarterly basis, a meeting with the external audit firm to consider the plans and reports submitted by the internal audit department;

App14-C.
3.3 (e) (i)

(III) to report to the Board, at least on a quarterly basis, matters including but not limited to the progress and quality of and material issues identified in the internal audit, and to maintain liaison with the senior management from time to time;

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3.3 (e) (i)

(IV) to coordinate relations of the internal audit department with the accountants' firm, national audit authorities and other external audit organizations and ensure the availability of sufficient internal resources for the operation of and an appropriate status for the internal audit department; and to review and monitor its effectiveness.

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3.3 (i);
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C.3.7 (b)

Article 10 The Audit Committee shall be accountable to the Board and the proposals of the Audit Committee shall be submitted to the Board for consideration and approval. The Audit Committee shall assist in the audit work carried out by the Supervisory Committee and supervisors.

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3.3 (m)

CHAPTER 4 DECISION-MAKING PROCEDURES

Article 11 The internal audit department of the Company shall facilitate the decision-making of the Committee and preparing the following information of the Company in written form:

(1) the relevant financial reports of the Company;

(2) the work reports of internal audit department and external audit firm;

(3) external audit contract and relevant work reports;

- (4) information disclosure of the Company;
- (5) audit reports on major and connected transactions of the Company;
- (6) other relevant issues.

Article 12 The Audit Committee shall hold meetings to review reports provided by the internal audit department of the Company and submit the resolutions so formed on the following matters in writing to the Board of Directors for discussion:

- (1) evaluation of work conducted by and the appointment and change of external auditors;
- (2) whether the Company's internal audit system has been implemented effectively and whether the Company's financial reports are complete and true;
- (3) whether information disclosed by the Company, including its financial reports, is objective and true and whether the Company's major and connected transactions are in compliance with relevant laws and regulations;
- (4) evaluation of work conducted by the financial and internal audit departments of the Company, including their persons in charge; and
- (5) the Audit Committee shall consider any significant and irregular matters that are, or need to be, reflected in the reports and accounts and it should give due consideration to any matters raised by internal auditors and the external auditor;
- (6) other relevant matters.

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3.3 (e) (ii)

Article 13 The internal audit department shall convene a meeting with the Audit Committee in each quarter to report on the work of internal audit and issues identified, and shall submit an internal audit report to the Audit Committee at least annually.

Any significant deficiencies or risks identified by the internal audit department in the audit process shall be reported to the Audit Committee in a timely manner.

The Audit Committee shall furnish an assessment opinion in writing in respect of the effectiveness of the Company's internal control based on the internal

audit reports and relevant information submitted by the internal audit department, and report to the Board of Directors.

If the Audit Committee is of the view that the Company's internal control is subject to significant deficiencies or risks, the Board shall forthwith report the same to the Shenzhen Stock Exchange and make relevant disclosures.

Article 14 The Audit Committee shall present an annual self-assessment report on internal control in relation to the establishment and implementation of internal control system for financial reporting and information disclosure based on evaluation reports and relevant information furnished by the internal audit department. The self-assessment report on internal control shall at least include the following:

- (1) a statement of authenticity of the internal control report by the Board;
- (2) general description of the assessment on internal control;
- (3) bases, scope, procedures and methods adopted for the internal control assessment;
- (4) deficiencies in internal control and the confirmation thereof;
- (5) rectification of deficiencies in internal control identified in the previous year;
- (6) rectification measures proposed to be taken in respect of deficiencies in internal control identified in the current year;
- (7) conclusions on the effectiveness of internal control.

Chapter 5 Rules of Proceedings

Article 15 Meetings of the Audit Committee include regular meetings and interim meetings. Regular meetings shall be held on a quarterly basis; and interim meetings shall be convened upon proposal by members of the Audit Committee. All members shall be notified seven days prior to any meeting of the Audit Committee. The meeting shall be chaired by the chairman of the committee. In the event that the chairman of the committee is not available to attend the meeting, he/she may appoint another member (who shall be an independent non-executive director) to preside over the meeting.

In case of emergency where an interim meeting of the Audit Committee needs

to be convened as soon as practicable, the notice of meeting may at any time be given through telephone or otherwise given verbally, provided that an explanation shall be made by the convener at the meeting.

Article 16 The notice of meeting must state the time and venue of and matters to be considered at the meeting, and related resolutions must be attached to the notice of meeting. The quorum for a meeting of the Audit Committee shall be more than two third of the members. Each member shall have one vote and any resolution of the meeting shall be passed by more than one half of all members.

A member of the Audit Committee may attend a meeting in person or appoint another member as proxy to attend the meeting and vote on his / her behalf. Each member may act as the proxy of at most one other member. A proxy purporting to represent two or more members shall be invalid.

A member of the Audit Committee who has not attended a meeting in person nor appointed another member as proxy to attend on his / her behalf shall be deemed as absent from the meeting. A member who is absent from two consecutive meetings shall be deemed as incapable of due performance of duties and the Board of the Company may remove him / her from the committee.

Article 17 Voting at meetings of the Audit Committee shall be conducted by way of a show of hands or a poll. The Audit Committee meeting may be convened by way of on-site meeting, video conference or conference call.

Article 18 The Secretary of the Board shall attend meetings of the Audit Committee, the members of the internal audit department may attend meetings of the Audit Committee. Directors, supervisors and senior management of the Company may be invited to attend the meetings of the Audit Committee if deemed necessary, provided that attendees who are not members of the Audit Committee shall not be entitled to vote in respect of any resolutions.

Article 19 The Audit Committee shall be provided with sufficient resources for the dispensation of its duties. Where necessary, the Audit Committee may engage intermediaries at the cost of the Company to provide professional advice in relation to its decisions.

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Article 20 The procedures for convening meetings of the Audit Committee and the voting methods adopted by and resolutions passed at such meetings must be in compliance with the provisions of pertinent laws and regulations, other regulatory documents, Hong Kong Listing Rules, the Articles and these Terms.

Article 21 The Audit Committee shall cause minutes of meeting to be kept in respect of its meetings. Members present at the meetings shall sign the minutes of meeting, which shall be kept by the secretary of the Board of the Company for ten years. Draft and final versions of minutes of the Audit committee meetings should be sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

Article 22 Resolutions passed and the results of voting at meetings of the Audit Committee shall be reported in writing to the Board of the Company.

Article 23 Members of the Audit Committee and other personnel present at the meetings shall undertake the obligation to keep confidential all matters discussed at such meetings and refrain from disclosing relevant information without authorization.

Chapter 6 Miscellaneous

Article 24 These Terms shall come into effect on the date of listing of the Company following approval by the Board by way of a resolution.

Article 25 Matters not provided for in these Terms shall be dealt with in accordance with relevant provisions of pertinent national laws and regulations, Hong Kong Listing Rules, other regulatory documents and the Articles. In the event that these Terms come into conflict with any national laws and regulations promulgated in future, Hong Kong Listing Rules, other regulatory documents, or the Articles as revised through legal procedures, the provisions of pertinent national laws and regulations, Hong Kong Listing Rules, other regulatory documents and the Articles shall prevail, and these Terms shall forthwith be amended accordingly and submitted to the Board for consideration and approval.

Article 26 The power to interpret and amend these Terms shall be vested in the Board of the Company.

** For identification purposes only.*