



Tiande Chemical Holdings Limited

天德化工控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 609)

(the “Company” and together with its subsidiaries, collectively the “Group”)

Terms of reference of the audit committee of the Company (“Audit Committee”)

Revised and approved by the board (the “Board”) of directors (the “Directors”) of the Company on 16 December 2011.

1. Membership

- 1.1 Members of the Audit Committee (“Members”) shall be appointed by the Board from amongst the independent non-executive Directors and shall consist of not less than three members. A majority of the Audit Committee shall be independent non-executive Directors and at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.
- 1.2 The chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive Director.
- 1.3 The appointment of the Members and the secretary of the Audit Committee may be revoked, or additional members may be appointed to the Audit Committee by separate resolutions passed by the Board.
- 1.4 In the event that an independent non-executive Director, who is a former partner of the Company’s existing auditing firm, shall be prohibited from acting as a Member for a period of one year commencing on 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.

2. Secretary

- 2.1 The company secretary of the Company or his/her delegate shall be the

secretary of the Audit Committee.

- 2.2 The Audit Committee may from time to time appoint any other person with appropriate qualification and experience as the Secretary of the Audit Committee.

3. Meeting

- 3.1 The Audit Committee shall meet at least twice each year with the Company's external auditor and additional meetings should be held if so request. Member may, and on the request of a Member, the secretary to the Audit Committee shall, convene a meeting of the Audit Committee. The Company's external auditor may request a meeting be held if they consider it necessary.
- 3.2 Notice of any meetings has to be given at least 14 days prior to any such meeting being held, unless all Members unanimously waive such notice. 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. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.
- 3.3 Notice of meeting shall be given to each Member orally in person or in writing or by telephone or by facsimile or electronic transmission at the telephone number or facsimile number or e-mail address etc. from time to time notified to the secretary of Audit Committee by such Member or by such other means as Members may from time to time determine. Any notice given orally shall be confirmed in writing.
- 3.4 Meeting of Audit Committee could be held in person or by telephone. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting Audit Committee of are capable of hearing each other. Member may not appoint any alternate to attend any meeting of Audit Committee.
- 3.5 The quorum of the Audit Committee meeting shall be two Members one of whom must be an independent non-executive Director.
- 3.6 Full minutes shall be kept by the secretary of the Audit Committee. Draft and final versions of minutes shall be circulated to all Members for their comment and records respectively, in both cases within a reasonable period of time after the meeting. Final versions of minutes shall be open for Directors' inspection.

4. Attendance of meetings

- 4.1 At least once a year, the Audit Committee shall meet with the representatives of external auditor of the Company and at least once a year, in the absence of the executive Directors.
- 4.2 At the invitation of the Audit Committee, the other members of the Board,

Financial Officer, and other persons may be invited to attend all or part of Audit Committee meeting.

5. Resolutions

- 5.1 Resolutions of the Audit Committee shall be passed by a majority of votes.
- 5.2 A resolution in writing signed by all Members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.
- 5.3 Only Members are entitled to vote at the meetings.

6. Attendance of annual general meeting

- 6.1 The Chairman of the Audit Committee, or in his/her absence, another Member, shall attend the Company's annual general meeting and be prepared to respond to the Company's shareholders' questions on the Audit Committee's activities and their responsibilities.

7. Authority

- 7.1 to have the right to inspect all accounts, books and records of the Company;
- 7.2 to seek any information relating to the financial position of the Group from the Company's management, as may be required for the purposes of discharging its duties;
- 7.3 to obtain independent professional advice in appropriate circumstances at the Company's expense to discharge the duties as a Member. Arrangement to seek independent professional advice could be made through the company secretary of the Company;
- 7.4 to obtain sufficient resources to discharge its duties;
- 7.5 to monitor whether the Group's management has, in the performance of its duties, infringed any policies set by the Board or any applicable law, regulation and code (including the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and other rules and regulations from time to time laid down by the Board or a Board committee thereof);
- 7.6 to investigate all suspected fraudulent acts involving the Group and request the senior management of the Company to make investigation and submit reports;
- 7.7 to request the Board to take all necessary actions, including convening a special general meeting, to replace and dismiss the external auditor of the Company;

8. Duties

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's relationship with the external auditor, the Company's financial information, financial reporting system and internal control procedures. The duties of the Audit Committee shall be:

Relationship with the Company's external auditor:

- 8.1 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 questions of its resignation or dismissal;
- 8.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 8.3 to develop and implement policy 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;
- 8.4 to report the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of financial information of the Company

- 8.5 to monitor integrity of financial statements of the Company and the Company's 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 should 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 assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- 8.6 In regard to 8.5 above:
 - i. Members should liaise with the Board and senior management and the

Audit Committee must meet, at least twice a year, with the Company's external auditor; 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 and 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 external auditor;

Oversight of the Company's financial reporting system and internal control procedures

- 8.7 to review the Company's financial controls, internal control and risk management systems;
- 8.8 to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 8.9 to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and senior management's response to these findings;
- 8.10 where an internal audit function exists, to ensure co-ordination between the internal and external auditor, 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;
- 8.11 to review the Group's financial and accounting policies and practices;
- 8.12 to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;
- 8.13 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 8.14 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 should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 8.15 to act as the key representative body for overseeing the Company's relations with the external auditor;

8.16 to report to the Board on the matters set out in this Terms of reference;

8.17 to consider other topics, as defined by the Board.

9. Reporting Responsibilities

9.1 The Audit Committee shall report to the Board after each meeting.

Note: In this Terms of reference, “senior management” refers to the same category of persons as referred to in the Company’s annual report and is required to be disclosed under the Listing Rules.