

HAILIANG 海亮
HAILIANG INTERNATIONAL HOLDINGS LIMITED
海亮國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(the “Company”)
(Stock Code: 2336)

CREDIT COMMITTEE
TERMS OF REFERENCE

(Adopted version: March 2019)

1. Constitution

- 1.1 The Board of Directors of the Company (the “Board”) had resolved to establish a committee of the Board, namely, the credit committee (the “Committee”) for the purposes of, inter alia, reviewing the effectiveness of the credit authorisation and credit risk management of the Company and its subsidiaries (collectively the “Group”).
- 1.2 The Committee is to reconstitute from time to time in order to fully comply with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. Membership

- 2.1 Members of the Committee shall be elected and appointed by the Board from amongst the executive directors of the Company and shall consist of at least two members. The quorum for the meetings of the Committee shall be two members of the Committee.
- 2.2 The chairman of the Committee shall be appointed by the Board and should be an executive director.

3. Attendance at meetings of the Committee

- 3.1 The financial controller and other financial officers (if any) and a representative of the head of internal audit (if any) shall attend meetings of the Committee.
- 3.2 The Company Secretary of the Company shall be the secretary of the Committee. In the absence of the Company Secretary in any meeting of the Committee, a member of the Committee to be appointed by other members of the Committee shall act as the secretary of that meeting.

4. Frequency of meetings

At least one meeting shall be held annually. The external auditors or any members of the Committee may request a meeting if they consider necessary.

5. Arrangement for and notice of meetings

5.1 All meetings of the Committee will be called by the secretary or the chairman of the Committee or any person(s) as instructed by the chairman of the Committee, or at the request of the Board.

5.2 Notices of at least 14 days shall be given to all members of the Committee for regular meetings of the Committee. For all other meetings, reasonable notices shall be given.

5.3 If any member of the Committee wishes to include any matter for consideration in the agenda for a particular regular meeting, he or she may notify the secretary of the Committee the proposed matter(s) in writing within seven days after the notice of the regular meeting of the Committee is given.

6. Proceedings of meetings

Unless otherwise specifically provided for in this terms of reference, all of the provisions of the Articles of Association of the Company regulating meetings and proceedings of the Board shall, mutatis mutandis, govern the meetings and proceedings of the Committee.

7. Authority

7.1 The Committee is authorised by the Board to investigate any activity within its terms of reference, and the executive directors of the Company shall ensure that members of the Committee are provided with full and unlimited access to all accounts of the Company. The Committee is authorised to seek any information it requires from any employees, directors and advisers of the Company and all employees, directors and advisers are directed to comply with any requests of the Committee.

7.2 The Committee is authorised by the Board to obtain external legal or other independent professional advice and to invite external parties with relevant experience and expertise to attend its meetings if it considers this necessary.

7.3 The Committee should be provided with sufficient resources to discharge its duties.

8. Duties

The duties of the Committee shall include the following:

Review the sales and credit information of the Company

- 8.1 to oversee the Company's sales contracts, sales invoices and goods delivery related agreements to ensure the accuracy and completeness of the information contained therein. In reviewing these statements and reports before submission to the Board, the Committee should focus particularly on:
- (a) formulation and adjustment of sales policies;
 - (b) grant and adjustment of credit lines;
 - (c) review and adjustment of the going concern of customer or supplier entities;
 - (d) compliance with accounting standards; and
 - (e) compliance with the Listing Rules and legal requirements in relation to financial reporting.

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

- 8.2 to review the Company's credit risk management and internal control systems;
- 8.3 to discuss the credit risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function;
- 8.4 to consider major investigation findings on credit risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- 8.5 where an internal audit function exists, 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;

- 8.6 to review the external auditor's letter to management regarding the review of sales and receivables, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- 8.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 8.8 to review arrangements for employees of the Company to raise concerns about possible improprieties in up-front payments in sales transactions, financial reporting, internal control or other matters, and the credit committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 8.9 to report to the Board on the matters in this code provision; and
- 8.10 to consider other topics, as defined by the Board.

9. Corporate Governance delegated by the Board

To ensure the uphold of good corporate governance including, but not limited to:

- 9.1 to develop and review the policies and practices of the Company on credit governance and make recommendations to the Board;
- 9.2 to review and monitor the policies and practices of the Company on compliance with legal and regulatory requirements; and
- 9.3 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Company.

10. Reporting procedures

The secretary shall send the draft and final versions of minutes of the Committee meetings to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting. Thereafter, the secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

Note: In case of discrepancies or inconsistencies between the English version and the Chinese version of this terms of reference, the English version shall prevail.