

BEIJING CAPITAL GRAND LIMITED
Terms of Reference of the Audit Committee

BEIJING CAPITAL GRAND LIMITED

(首創鉅大有限公司)

(incorporated in the Cayman Islands with limited liability)

**TERMS OF REFERENCE OF
THE AUDIT COMMITTEE**

(adopted on 14 March 2012)

(revised on 18 March 2016)

(revised on 6 March 2019)

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Formation

1. The audit committee (the “**Committee**”) of Beijing Capital Grand Limited (the “**Company**”) was formed pursuant to the board resolution of the Company passed on 14 March 2012.

Composition and Quorum

2. The Committee shall be appointed by the board of directors of the Company (the “**Board**”) from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive directors of the Company. The quorum for a meeting of the Committee shall be two members.
3. At least one of the Committee members shall be an independent non-executive director of the Company with appropriate qualifications or accounting or related financial management expertise as required in Rule 3.10(2) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).
4. The chairman of the Committee shall be appointed by the Board and should be an independent non-executive director of the Company.
5. A former partner of the Company’s existing external auditors shall be prohibited from acting as a Committee member for a period of 2 year commencing on the date of his ceasing:
 - (a) to be a partner of the firm of external auditors; or
 - (b) to have any financial interest in the firm of external auditors,whichever is later.
6. The company secretary of the Company shall be the secretary of the Committee. The secretary of the Committee or in his/her absence, his/her representative or any

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one member of the Committee, shall be the secretary of the meetings of the Committee.

Attendance at meetings

- Attendees shall normally include the Committee's members, the chief financial officer, the head of internal audit (where an internal audit function exists), representative(s) of the external auditors and those with meaningful input to the Committee's activities. However, at least once a year the Committee shall meet with the external and internal auditors (if any) without executive members of the Board present.

Frequency and proceedings of meetings

- Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.
- The provisions of the articles of association of the Company regulating the meetings and proceedings of the meetings of the directors of the Company so far as the same are applicable and not inconsistent with the provisions of these terms of reference shall *mutatis mutandis* apply to regulate the meetings and the proceedings of the meetings of the Committee.

Authority

- The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Committee shall be provided with sufficient resources to perform its duties.

Duties

- The duties of the Committee shall be :

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- (a) 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;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;
- (c) to develop and implement policy on 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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the 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 qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:-
 - (i) members of the Committee should liaise with the Board and senior

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management and the Committee must meet, at least twice a year, with the Company's auditors; and

- (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, 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 auditors;
- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an effective systems. 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;
- (h) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (i) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor(s) may wish to discuss (in the absence of management where necessary);
- (j) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of controls and management's response;
- (k) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (l) where an internal audit function exists, to review the internal audit programme, 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;

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- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to report to the Board on the matters set out in the terms of reference of the Committee and the Code Provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- (o) to review the financial and accounting policies and practices of the Company and its subsidiaries;
- (p) to consider other topics, as defined by the Board;
- (q) 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 Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (r) to act as the key representative body for overseeing the Company's relations with the external auditor.

Reporting procedures

13. The Committee shall report directly to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).
14. The secretary to the Committee shall keep full minutes of all Committee meetings. Minutes of Committee meetings shall record in sufficient detail the matters considered by the Committee members and decisions reached, including any concerns raised by the Committee members and dissenting views expressed. Draft and final versions of minutes of meetings should be sent to all Committee members for their comment and records, within a reasonable time after the meeting. The secretary shall also circulate the minutes of meetings, reports and all written resolutions of the Committee to all members of the Board.
15. Where the Board disagrees with the Committee's view on the selection,

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appointment, resignation or dismissal of the external auditor, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

Powers of the Board

16. The Board may, subject to compliance with the articles of association of the Company and the Listing Rules, amend, supplement and revoke these terms of reference and any resolution passed by the Committee, provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if these terms of reference or resolution had not been amended or revoked.

Publication of these terms of reference

17. A copy of these terms of reference will be made available by posting on the Stock Exchange's website and the Company's website.