

**Hollwin Urban Operation Service Group Co., Ltd**  
**(泓盈城市運營服務集團股份有限公司)**

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

**Chapter 1 General Provisions**

**Article 1** In order to strengthen the decision-making function of the Board of Directors, conduct ex ante and professional audit, ensure effective supervision over the senior management by the Board, and optimize its corporate governance structure, the Company has specially established the Audit Committee of the Board of Directors and formulated these terms of reference pursuant to the Company Law of the People’s Republic of China, the Governance Guidelines for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Hong Kong Listing Rules**”), Articles of Association of Hollwin Urban Operation Service Group Co., Ltd (hereinafter referred to as the “**Articles of Association**”) and other relevant regulations.

**Article 2** The Audit Committee of the Board of Directors is a specialized working body established by the Board of Directors in accordance with the resolutions of the Board of Directors, primarily responsible for the communication with the internal and external auditing of the Company, as well as the supervision and verification of the Company’s internal control system.

**Chapter 2 Composition**

**Article 3** The Audit Committee shall comprise of three Directors, all of which shall be non-executive Directors. At least two of them shall be the independent non-executive Directors. One of the independent non-executive Directors shall have appropriate professional qualifications as required by Rule 3.10(2)<sup>1</sup> of the Hong Kong Listing Rules, or appropriate accounting or related financial management expertise.

The appointment of members of the Audit Committee should comply with the requirements of the Hong Kong Listing Rules.

The former partner of the current external audit firm of the Company shall not be a member of the Audit Committee within two years from the following date (whichever is later):

- (1) the date on which the former partner ceased to be a partner of the accounting firm; or
- (2) the date on which the former partner ceased to enjoy the financial benefits of the accounting firm.

**Article 4** The members of the Audit Committee of the Board of Directors shall be nominated by the chairman of the Board of Directors or the Nomination Committee, and shall be elected by the Board of Directors.

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<sup>1</sup> With regard to appropriate accounting or related financial management expertise, it refers to experience with internal controls and in preparing or auditing comparable financial statements or experience reviewing or analysing audited financial statements of public companies through experience as a public accountant or auditor or as a chief financial officer, controller or principal accounting officer of a public company or through performance of similar functions. It is the responsibility of the board to determine on a case-by-case basis whether the candidate is suitable for the position. In making its decision, the board must evaluate the totality of the individual’s education and experience.

**Article 5** The Audit Committee of the Board of Directors shall have a chairman (the convener), who shall be the independent non-executive Directors of the Company with professional expertise in accounting and be responsible for convening and chairing the meetings of the Committee. The chairman shall be elected and appointed by the Board of Directors.

**Article 6** The term of office of the Audit Committee of the Board of Directors shall be consistent with that of the Board of Directors. The term of office of a member is renewable upon re-election. Where a member ceases to be a Director of the Company or any member who should be an independent non-executive Director no longer possess such independence as required by the Hong Kong Listing Rules, he/she will automatically cease to be the member, and the vacancy shall be filled by the person elected by the Committee in accordance with the provisions of Articles 3 to 5 above. Membership should preferably expire in different years to avoid replacing all experienced members at the same time.

**Article 7** A Committee member may submit resignation to the Board of Directors prior to the expiration of his/her term of office. Such resignation shall specify the reasons for the resignation and any matters which would require the attention of the Board of Directors. When the number of committee members falls below the minimum number as provided herein, the resigning member shall continue to perform the duties until the appointment of a new member to fill his/her place.

**Article 8** The Legal and Compliance Department is the Company's integrated functional department for performing internal audit duties. The deputy manager of internal audit of the Legal and Compliance Department shall be responsible to the Audit Committee and shall report to the Audit Committee. The Legal and Compliance Department shall conduct inspections of the following matters at least once a year, and shall issue a review report and submit it to the Board of Directors:

- (1) implementation of significant matters including use of proceeds raised by the Company, external guarantees, connected transactions, securities investment, external financial assistance, purchase or sale of major assets, and external investment;
- (2) large-value transactions of the Company and the transactions with Directors, Supervisors, senior management officers, controlling shareholder and de facto controller and their connected persons.

### **Chapter 3 Duties and Authorities**

**Article 9** The main duties and authorities of the Audit Committee are:

- (1) to review the work scope and experience of the internal audit department and the external auditing firm, propose to engage or replace the external auditing firm, evaluate the works of the external auditing firm, approve the remuneration and terms of engagement of the external auditing firm, and advise the Board of Directors on matters such as the appointment and remuneration of the external auditing firm;
- (2) to review and monitor the independence and objectiveness of the external auditing firm and the effectiveness of its audit procedures in accordance with applicable standards; the Committee shall discuss with the auditors the nature, scope, approach and reporting responsibilities of the audit works before the commencement of the audit works;

- (3) to supervise the establishment, improvement and implementation of the Company's internal audit systems;
- (4) to facilitate communications and coordination between the internal audit department and the external auditing firm in respect of major issues;
- (5) to examine the truthfulness, completeness and accuracy of financial statements, annual reports and accounts, half-year reports and quarterly reports (if any) of the Company, and review important opinions regarding financial reporting in such statements and reports. Special attention should be paid to the possibilities of any frauds, malpractices and major misstatements in relation to those financial statements and reports. For submission of those statements and reports to the Board of Directors, the Committee shall conduct review with a special focus on the following matters: 1. any changes in accounting policies and practices; 2. areas involving major judgment; 3. significant adjustments resulting from audit; 4. the going concern assumption of the Company and any qualified opinions; 5. compliance with accounting standards; 6. compliance with Hong Kong Listing Rules and other legal requirements in relation to financial reporting;
- (6) to review the Company's financial control and internal control systems, and conduct audit and supervision on material connected transactions;
- (7) to discuss with the management on the effectiveness of the risk management and internal control system; to supervise the effectiveness and self-assessment of internal control, coordinate internal control and audit and supervise the rectification of internal control defects and other related matters;
- (8) to be responsible for the communication between the internal audit department and the external auditing firm so as to coordinate their works; to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and to review and monitor the effectiveness of the internal audit function;
- (9) to review the financial and accounting policies and practices of the Company, and evaluate the works of the Company's financial department and audit functional department and the works of the persons in charge of such departments and functions;
- (10) to review the audit explanatory letter of the external auditing firm sent to the management, major queries raised by the auditing firm about accounting records, financial accounts or the control system and replies of the management;
- (11) to ensure that the Board of Directors will provide a timely response to the issues raised in the external auditing firm's audit explanatory letter to the management;
- (12) to review the following arrangements of the Company: employees of the Company may raise concerns in confidence about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for the Company to conduct fair and independent investigations and to take necessary actions accordingly;
- (13) to report to the Board of Directors and submit a written report to the Board of Directors at least once a year to report on the works of the Committee;

- (14) to verify the list of connected persons of the Company; to conduct general audits and regular general examination of all connected transactions of the Company, including a review of the decisions on the connected transactions and their execution within ten days following the end of each year period, and a general review of all connected transactions of the Company within 30 days following the end of each half-year period. The Committee shall report to the Board of Directors and the Supervisory Committee the results of such reviews;
- (15) to cooperate with the Supervisory Committee of the Company on audit activities;
- (16) to report to the Board of Directors on the matters in these terms of reference;
- (17) other duties and authorities delegated by the Board of Directors of the Company, and other relevant requirements of the relevant laws and regulations and Hong Kong Listing Rules in relation to the duties and authorities of the Committee.

**Article 10** The Audit Committee shall urge relevant functional departments to disclose, in the Corporate Governance Report, how the Company has complied with code provisions relating to risk management and internal control during the period under review. In particular, they shall include, but not limited to:

- (1) the procedures used by the Company to identify, evaluate and manage significant risks;
- (2) the main features of the Company's risk management and internal control;
- (3) the procedures used by the Company to review the effectiveness of risk management and internal control systems;
- (4) the procedures and internal control measures of the Company for handling and dissemination of inside information;
- (5) the frequency of the Board of Directors for reviewing risk management and internal control systems and whether the systems are sufficient and effective in the view of the Company.

The Audit Committee shall also urge the Board of Directors to disclose, in the Corporate Governance Report, whether it has obtained the confirmation from the management on effectiveness of the Company's risk management and internal control systems and urge the Board of Directors to disclose details of other important concerns.

The Audit Committee shall:

- (1) review relevant reports submitted by internal auditors and the senior management officer's responses to any identified weaknesses on internal control; and
- (2) receive and review the reports of internal audit on summarizing the senior management officer's responses to matters for which no measures have been taken and the implementation of relevant matters.

**Article 11** The Audit Committee shall be accountable to the Board of Directors, and proposals of the Audit Committee shall be submitted to the Board of Directors for consideration and decision.

**Article 12** The Audit Committee shall regularly report to the Board of Directors on matters set out in these terms of reference, including the work of the Audit Committee, and shall notify the Supervisory Committee of the same, unless such committees are prevented from doing so by legal or regulatory constraints.

**Article 13** The chairman of the Audit Committee shall attend annual general meetings of the Company and be prepared to answer any shareholder's questions in relation to the duties of the Audit Committee. If the chairman of the Audit Committee is unable to attend an annual general meeting of the Company, he/she shall arrange for another member of the Committee to attend in his/her place. Such member shall be prepared to answer any shareholder's questions in relation to the work of the Audit Committee at the annual general meeting.

**Article 14** The Audit Committee shall be entitled to ask management personnel at all levels of the Company for fully support for their work, and demand comprehensive answers to their questions as soon as possible. The Audit Committee should have separate and independent access to the management personnel at all levels.

**Article 15** The responsibilities of the chairman are:

- (1) to convene and chair the meetings of the Committee;
- (2) to supervise and review the work of the Committee and the implementation of the Committee's resolutions;
- (3) to sign the relevant documents of the Committee;
- (4) to report to the Board of Directors of the Company on the work of the Committee;
- (5) the chairman should attend the annual general meeting and answer questions about the work and responsibilities of the Audit Committee at the meeting;
- (6) other responsibilities required to be performed or granted by laws and regulations, relevant regulatory rules of the place of listing such as the Hong Kong Listing Rules, these terms of reference and the Board of Directors.

**Article 16** The responsibilities of the member are:

- (1) to attend meetings of the Committee on time, express opinions on the matters discussed at the meetings, and exercise their voting rights;
- (2) to propose topics to be discussed in the Committee meeting;
- (3) to sit in on or attend relevant meetings of the Company and conduct investigations and researches as well as obtain necessary reports, documents, data and other relevant information to perform responsibilities;

- (4) to fully understand Committee responsibilities and responsibilities as Committee member, be familiar with corporate operating management, business activity and development in connection with his/her responsibilities and guarantee the ability to perform responsibilities;
- (5) to fully guarantee the work time and effort to perform responsibilities;
- (6) other responsibilities granted by laws and regulations, relevant regulatory rules of the place of listing such as the Hong Kong Listing Rules, these terms of reference and the Board of Directors.

**Article 17** The Audit Committee shall upload these terms of reference to the websites of The Stock Exchange of Hong Kong Limited and the Company, in order to explain its role, duties and authority as delegated by the Board of Directors.

#### **Chapter 4 Decision-making Procedures**

**Article 18** The Audit Committee shall convene meetings to consider the reports submitted by the internal audit department, and submit relevant written resolutions to the Board of Directors for consideration with respect to:

- (1) evaluation on duty performance of external auditing firm, and engagement and replacement of external auditing firm;
- (2) whether the internal audit system of the Company has been effectively implemented and whether the financial reports of the Company are complete and authentic;
- (3) whether the information disclosed publicly by the Company is objective and authentic, and whether the material connected transactions of the Company are in compliance with the relevant laws and regulations;
- (4) evaluation on duty performance of the Company's financial department and audit functional department, including their persons in charge;
- (5) other relevant matters.

#### **Chapter 5 Rules of Procedure**

**Article 19** The Audit Committee Meetings include regular meetings and extraordinary meetings. Regular meetings shall be convened before the issuance of the Company's interim financial report and annual financial report, and a notice shall be given to all members five days prior to the meetings. Extraordinary meetings shall be convened when proposed by members of the Audit Committee. A notice shall be given three days (excluding the day of the meeting) before an extraordinary meeting. The chairman shall convene an extraordinary meeting within ten days after receiving the proposal and a notice shall be given to all members five days prior to the meetings. The meeting shall be chaired by chairman. Where the chairman is unable to attend the meeting, he/she may delegate another member (being independent Director) to perform his/her role. The aforesaid period of notice may be exempted subject to unanimous consent by all members of the Committee.



**Article 20** The quorum of the Audit Committee meeting shall be two-thirds or above of the members of the Committee. Each member is entitled to one vote. Resolutions passed at such meeting should be approved by more than half of its members.

**Article 21** Voting on the Audit Committee meetings may be conducted by a show of hands or by poll, and voting on the extraordinary meetings may be conducted by means of correspondence. Unless otherwise required in the Articles of Association and these terms of reference, the Audit Committee may, at extraordinary meetings, pass resolutions by correspondence with members present affixing their signatures thereon, provided that the attending members can fully express their opinions. In case of a meeting voting by means of correspondence, members of the Audit Committee signing on the resolutions of meetings shall be considered to be present at such meetings and agree with such resolutions.

**Article 22** The secretary of the Board of Directors shall attend the meeting of the Audit Committee. Directors, Supervisors and other senior management officers of the Company may be invited to attend meetings of the Audit Committee, if necessary. Directors who are not members of the Committee shall not have any voting right regarding any matter discussed at the meeting.

**Article 23** Members of the Audit Committee shall attend meetings of the Audit Committee in person. If members are unable to attend the meeting for some reason, they may appoint another member in writing to attend the meeting, and, if any member has failed to attend nor appoint a proxy to attend the meeting, he or she shall be deemed to have waived his or her right to vote at such meeting.

**Article 24** Where necessary, the Audit Committee may engage intermediary agencies to provide professional advice for its decision-making and the fee shall be borne by the Company.

**Article 25** The convening procedures and voting methods of meetings of the Audit Committee as well as the resolutions passed at such meetings shall comply with the relevant laws, administrative rules, relevant regulatory rules of the place of listing such as the Hong Kong Listing Rules, the Articles of Association and these terms of reference.

**Article 26** The Audit Committee shall keep minutes of its meetings and the attending members shall sign the minutes of the meeting. The minutes of the meetings and resolutions shall be kept by the secretary of the Board of Directors of the Company for at least ten years.

**Article 27** Any resolution passed or the results of a poll taken at a meeting of the Audit Committee shall be reported in writing to the Board of Directors of the Company.

**Article 28** All members attending meetings shall be obliged to keep all matters discussed at the meetings confidential and shall not disclose the relevant information without authorization.

**Article 29** The Audit Committee shall adopt the following abstaining and voting procedures under the voting abstention mechanism in considering connected transactions:

- (1) the interested member shall proactively apply for abstaining from voting; otherwise other members shall have the right to demand an abstention;
- (2) in case of any dispute on the existence of conflict of interest, it shall be resolved by a simple majority of members other than the member in question;

- (3) the interested member shall, rather than participating in discussion or voting on any matter from which he or she is required to abstain, leave the meeting temporarily or otherwise avoid the issue;
- (4) where the Audit Committee is unable to make a resolution on the proposed matters due to an abstention of the interested member, it shall resolve to submit the same for consideration by the Board of Directors and so act in a timely manner. In the resolution on submitting the proposed matters for consideration by the Board of Directors, the Audit Committee shall provide its consideration details and the opinions of non-interested members on such matters.

## **Chapter 6 Supplementary Provisions**

**Article 30** These terms of reference have been formulated and amended after consideration and approval by the Board of Directors and shall be effective from the date of listing of the overseas listed foreign shares (H shares) issued by the Company on The Stock Exchange of Hong Kong Limited.

**Article 31** Any matters not covered herein shall be carried out in accordance with relevant laws, administrative rules, regulatory documents, relevant regulatory rules of the place of listing such as the Hong Kong Listing Rules and the Articles of Association; where these terms of reference conflict with current or subsequent promulgated laws, administrative rules, regulatory documents, relevant regulatory rules of the place of listing such as the Hong Kong Listing Rules or the legally revised Articles of Association, the said laws, administrative rules, regulatory documents, relevant regulatory rules of the place of listing such as the Hong Kong Listing Rules and Articles of Association shall prevail.

**Article 32** The right to interpret these terms of reference shall be vested in the Board of Directors of the Company. In the event of any inconsistency between the English and Chinese versions of this document, the Chinese version shall prevail.