

# Baiwang Co., Ltd.

## Terms of Reference for the Audit Committee of the Board

### Chapter I General Provisions

**Article 1** To enhance the decision-making function of the board of directors (the “**Board**”) of Baiwang Co., Ltd. (the “**Company**”), continuously improve the Company’s internal control system, ensure effective supervision and management of the Board, and constantly improve the Company’s governance structure, the Company sets up the Audit Committee of the Board and, in light of the Company’s situation, develops *the Terms of Reference for the Audit Committee of the Board of Baiwang Co., Ltd.* (the “**Terms of Reference**”) pursuant to the *Company Law of the People’s Republic of China* (the “**Company Law**”), the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* (the “**Listing Rules**”), the *Corporate Governance Code* set out in Appendix C1 to the *Listing Rules*, the *Guidelines for Effective Audit Committees* of Hong Kong Institute of Certified Public Accountants, and other applicable laws, regulations, and normative documents as well as the *Articles of Association* of Baiwang Co., Ltd. (the “**Articles of Association**”) applicable upon issuance of H Shares, and in accordance with the resolutions of the Board.

**Article 2** The Audit Committee is a dedicated working body of the Company’s Board that performs such main functions as: (i) examining the Company’s financial position; (ii) reviewing the Company’s financial data and making judgments about the authenticity, integrity, and accuracy of the Company’s financial information; (iii) inspecting the implementation and effect of the Company’s internal monitoring system; (iv) being primarily responsible for the Company’s communication with external auditors as well as supervision and inspection thereof, regulation of internal audits, as well as evaluation and improvement of the Company’s internal control system, and proposing suggestions in this regard; and (v) conducting risk assessment for the Company’s ongoing major investment projects. The Audit Committee shall report to the Board.

### Chapter II Personnel Composition

**Article 3** The Audit Committee consists of three or more directors. Its members should be in an odd number. All members must be non-executive directors and the majority members (more than a half) must be independent non-executive directors. Its Chair must be an independent non-executive director with appropriate professional qualification stipulated in Listing Rule 3.10(2) or with appropriate expertise on accounting or finance management.

Members of the Audit Committee should possess certain work experience in finance, accounting, auditing, and law, with relevant professional knowledge or work experience. At least one of the members should be an independent non-executive director with appropriate professional qualification stipulated in Listing Rule 3.10(2) or with appropriate expertise on accounting or finance management.

A former partner of the Company’s current external auditor may not serve as a member of the Audit Committee within two years from the day he terminates its capacity as a partner of such auditor or the day he ceases to have any financial interest in that external auditor, whichever is later.

**Article 4** Members of the Audit Committee are nominated by the Chairman or the Nomination Committee of the Board and are elected by directors presenting more than half of the voting rights of the Board. If the proposal for electing a member is approved, the new member takes office immediately after the Board meeting.

**Article 5** The Audit Committee has a convener, i.e. Committee Chair, who shall be an independent non-executive director appointed by the Board and chairs the Committee. When the Committee Chair is unable to or does not perform his duties, an independent non-executive director elected by more than half of the members will perform such duties.

**Article 6** Members of the Audit Committee have the same term of office as those of the Board, and may be re-elected and re-appointed upon expiration of the term of office. During the term of office, a member ceasing to serve as a director of the Company or, in case of a member who shall be an independent non-executive director, ceasing to be independent as defined in the *Articles of Association* and the *Listing Rules*, will be automatically disqualified as a member. Members of the Audit Committee may resign from their positions prior to the expiry of their terms by submitting written resignation reports to the Board. Such reports shall contain necessary explanations of the reasons for the resignation and the matters requiring the concern of the Board. After a member of the Audit Committee is disqualified or allowed to resign, the Board shall replenish the number of members subject to applicable laws, regulations, normative documents and Articles 3-5 herein. The term of office of a supplementary member expires at the end of the member's term as a director or an independent non-executive director. A member shall not be removed from office without any justified reason until the expiry thereof except under circumstances that prohibit him from holding office under the *Company Law*, the *Articles of Association* or the *Listing Rules*.

**Article 7** Except for director's salary and reimbursement of advancement, a member of the Audit Committee may not, directly or indirectly, charge any consultation fee, advisory fee, or other compensation from the Company in connection with his capacity as such a member.

### **Chapter III Duties and Powers**

**Article 8** The Audit Committee shall make its terms of reference public on the websites of the Company as well as the Stock Exchange of Hong Kong Limited ("SEHK") and explain its role and the powers delegated to it by the Board. The Audit Committee's specific duties include:

- (I) Annually reviewing the performance of the external auditor; submitting to the Board summary reports on the external auditor's audit of the Company within the year; making proposals to the Board on appointment in next year, renewal, and dismissal of the external auditor as well as on its audit charges, terms of appointment, and other issues; approving the salary and terms of appointment of the external auditor; and dealing with any matters in relation to resignation or dismissal of the external auditor; if the Company's Board disagrees with the Audit Committee's proposal on selection, appointment, resignation, or dismissal of an external auditor, the Company shall set out the Audit Committee's statement elaborating on its proposals and the reason why such proposals are disagreed by the Board in the *Corporate Governance Report*;

- (II) Monitoring the relationship between the Company and the external auditor as the Company's representative, including examining and monitoring whether the external auditor is independent and objective and whether the audit procedures are effective according to applicable standards; discussing with the external auditor on the nature, scope, methods, and reporting responsibilities of the current year's audit before the initiation of the audit procedures; negotiating with the external auditor to determine the timeline of the current year's financial reporting audit; supervising and urging the external auditor to submit audit report within the agreed time limit; and, in case of more than one external auditor, ensuring coordination thereof;
- (III) Based on work demands, making and enforcing policies on the provision of non-audit services to the external auditor, including its affiliates. The Audit Committee shall report and advise to the Board on anything that, in its sole discretion, is in need of any action or improvement;

An affiliate of the external auditor as mentioned herein shall include any entity under common control, management, or ownership with the external auditor engaged by the Company, or a third party reasonably knows all relevant data, or any entity that, under reasonable circumstances, will be deemed a part of the domestic or international business of the external auditor engaged by the Company. The Audit Committee shall ensure that the external auditor's provision of any non-audit service will not impair its independence or objectivity. For the purposes of any non-audit service, the Audit Committee shall consider:

1. In terms of competency and experience, whether the external auditor fits for the provision of the non-audit service;
2. Whether there are any precautions to ensure that the external auditor's objectivity and independence in audit will not be impaired by its provision of such service;
3. The nature of the non-audit service, relevant fee standard and, for the external auditor, the level of individual service fee and aggregate service fee; and
4. Determination of compensation for the auditing personnel.

The Audit Committee shall report to the Board on anything that, in its sole discretion, is in need of any action or improvement, and make recommendations on any steps that could be taken;

- (IV) Inspecting the Company's accounting policies, financial position, financial reporting procedures, and financial control; reviewing the integrity, accuracy, and fairness of the Company's financial statements and quarterly reports (if any), semi-annual reports, and annual reports and accounts, reviewing any significant comments on financial reporting set out in the foregoing statements and reports, and reviewing the disclosure of the Company's financial information. Before submitting the relevant statements and reports to the Board, the Audit Committee shall specifically review: any changes in the Company's accounting policies and estimates during the reporting period, matters involving important judgments, and significant adjustments made as required after the external auditor reviews the accounts, assumptions or any qualified opinions on the Company's ability to continue as a going concern, and compliance of the accounting with the accounting standards and with any provisions on financial reporting of the *Company Law*, the *Listing Rules*, and other applicable laws and regulations;

The Audit Committee members shall timely communicate with the Board, senior management, as well as internal and external auditors on the aforesaid items requiring specific review. The Audit Committee members and the external auditor shall meet at least twice a year without the attendance of the executive director (unless invited by the Audit Committee). Members of the Audit Committee shall discuss any significant or abnormal matters reflected or required to be reflected in the Company's reports and accounts, and shall duly consider any proposals made by the subordinated accounting and financial department, regulatory department, or auditors of the Company;

- (V) Discussing any questions and doubts raised by the external auditor after reviewing the Company's semi-annual accounts and annual accounts, and any other matters to be discussed as expected by the external auditor (which, if needed, may be conducted in the absence of the management);
- (VI) Examining the Company's financial policies, internal audit rules, internal control rules, and risk management rules, and making comments and proposals on the improvement thereof, and:
  - 1. Examining the Company's finance, accounting policies, practices, and any related changes;
  - 2. Monitoring the procedures for making regular financial reports (i.e. quarterly reports (if any), semi-annual financial reports, and annual financial reports), and reviewing regular financial reporting, financial performance release, and other related information;
  - 3. Discussing with the management on and evaluating the effectiveness of financial control, internal control, and risk management rules, to ensure that the management has performed its duty to establish effective financial control, internal control, and risk management rules; the discussion shall cover the sufficiency of the seniority and experience of the Company's resources and employees in connection with accounting and financial reporting functions, and the adequacy of budget for training courses received by the related employees and for accounting and financial reporting functions; any statement on the Company's internal monitoring system to be set forth in the annual statement shall be presented to the Board for prior review;
  - 4. Proactively, or as appointed by the Board, discussing the important investigation findings on internal controls and the countermeasures to be taken by the management;
  - 5. Ensuring the coordination between the Company's audit department and the external auditor; ensuring that the audit department has sufficient resources for operation and appropriate authority and status within the Company; examining and monitoring the efficiency of the Company's audit departments;
  - 6. Examining the operations, finance, and accounting policies and practices of the Company and its affiliates (if applicable in the future);
  - 7. Reviewing any inspection notes or management proposals issued by the external auditor, any major doubts raised by the external auditor on accounting records, financial accounts, or monitoring systems, and any responses to be given by the management;

8. Establishing the Company's policies on hiring the external auditor's employees and former employees together with the Board, and monitoring the application of such policies. The Audit Committee shall consider whether the judgment or independence of the external auditor in audit is impaired or seemed to be impaired in this case;
9. Serving as the Company's major representative for interaction with the external auditor and monitoring the relationship between the two;
10. Ensuring that the Board timely responds to any inspection notes or management proposals given to the management by the external auditor;
11. Developing and examining the Company's corporate governance policies and practices, and making proposals to the Board;
12. Examining and monitoring the training for and continuous professional development of directors and senior management;
13. Examining and monitoring the Company's policies and practices for compliance with laws and regulatory provisions;
14. Supervising the work of the Company's internal audit department, and making comments and proposals on the assessment and change of the head of the department;
15. Supervising the employees' potential misconduct in financial reporting, internal monitoring, or that may otherwise occur;
16. Examining the Company's compliance with the *Corporate Governance Code* and disclosure in the *Corporate Governance Report*;
17. Reporting any matters in relation to any of the foregoing and discussing any other matters assigned by the Board; and
18. Reporting to the Board on matters set forth in Appendix XIV – *Corporate Governance Code* to the *Listing Rules*.

(VII) Establishing procedures to fairly and independently investigate and address the following:

1. Receive and process any complaints about the Company's accounting, internal control, or audit matters known to it and ensure the confidentiality thereof;
2. Receive and process complaints or anonymous reporting about employees' misconduct in accounting, audit matters, internal control, or other aspects and ensure the confidentiality thereof. Examine the procedures for the Company's employees to secretly raise concerns about any misconduct that may occur in financial reporting, internal control, or other aspects, and ensure appropriate arrangement for the Company to conduct fair and independent investigation on such matters and take appropriate follow-up actions;

- (VIII) Making proposals and ensuring that the Board takes effective remedies for the Company's non-compliance with any provisions of the *Listing Rules* on the establishment of the Audit Committee;
- (IX) Fulfilling other tasks assigned by the Board; and
- (X) Performing other duties assigned by laws, regulations, normative documents, SEHK, Securities and Futures Commission ("SFC") and other regulators as well as by the *Articles of Association* and the Rules of Procedures of the Board.

The Company's senior management and the relevant departments shall be cooperative and supportive toward the Audit Committee and proactively make available the relevant materials. The financial department shall regularly and truthfully make financial reports, fund operation reports, and other financial and accounting materials available to the Audit Committee, timely report any information on the relevant significant business operations, proactively cooperate with the Audit Committee, and listen carefully to the advice and requirements of the Audit Committee.

**Article 9** The Audit Committee is accountable to the Board and regularly presents proposals to the Board for review and determination. The Audit Committee shall cooperate with the Board of Supervisors in supervising the audit activities.

**Article 10** The Chair of the Audit Committee has primary functions and powers as follows:

- (I) Convening and presiding over the meetings of the Audit Committee;
- (II) Presiding over the everyday work of the Audit Committee;
- (III) Examining, approving, and signing reports and other important documents of the Audit Committee;
- (IV) Examining the implementation of the resolutions and proposals of the Audit Committee;
- (V) Reporting to the Board on behalf of the Audit Committee; and
- (VI) Performing other duties to be performed by the Chair of the Audit Committee.

#### **Chapter IV Working Procedures**

**Article 11** The audit department, which is responsible for the Company's internal audit, is an executive body of the Audit Committee and directly led by the Audit Committee.

**Article 12** The audit department is responsible for preparing for the decision making of the Audit Committee and providing the following documentations of the Company:

- (I) The relevant financial reports of the Company;
- (II) Work reports of internal and external auditors;
- (III) External audit contracts and the relevant work reports;
- (IV) The Company's disclosure of information;

- (V) The Company's related (connected) transaction agreements, audit reports on significant related (connected) transactions, and feedback on related (connected) person investigation;
- (VI) Financial and legal documentations on major investment projects;
- (VII) Work reports on the Company's internal control rules and the implementation thereof; and
- (VIII) Other relevant documentations.

The Audit Committee performs the primary duties under Article VIII of the Term of Reference based on the documentations made available by its executive body.

**Article 13** The Audit Committees works in the following way:

- (I) During the meeting of the Audit Committee, its members discuss the work plan for internal audit, debrief the Company's finance, and review the report submitted by the audit department and the Company's quarterly (if any), semi-annual, and annual financial reports. The Audit Committee may make decisions based on the expert opinions from a professional body, and present to the Board of Director for discussion any matters to be decided on by it, which includes:
  - 1. Evaluation of word done by, employment and replacement of, and approval of the remunerations and terms of employment for the external auditor;
  - 2. Whether the Company's internal control rules and internal audit rules have been effectively implemented and the Company's financial reports are exhaustive and truthful;
  - 3. Whether the financial reports and other information disclosed by the Company is objective and true and whether the Company's significant related (connected) transactions comply with laws and regulations;
  - 4. Assessment of the performance of the Company's financial department and its head and the Company's audit department and its head; and
  - 5. Other related matters.
- (II) In the process of preparing and disclosing the Company's annual financial reports, the Audit Committee shall comply with the following rules and procedures of work:
  - 1. After a fiscal year ends, the Audit Committee shall timely consult the external auditor that is responsible for reviewing the Company's financial reports for that year (the "**Annual Audit CPA**") to schedule the audit for that fiscal year;
  - 2. Urge the Annual Audit CPA to file the auditor's report within the agreed time limit;
  - 3. Review the financial and accounting statements prepared by the Company before the entry of the Annual Audit CPA;
  - 4. Review the Company's financial and accounting statements after the Annual Audit CPA issues initial audit opinions; and

5. Hold meetings of the Audit Committee to review the financial reports, make proposals on the renewal or replacement of the Annual Audit CPA for the next year, and summarize and prepare a report on the audit work done by the Annual Audit CPA's firm for the Company in that year.

The Chair of the Audit Committee or, in his absence, another member thereof (who must be an independent non-executive director) shall attend the Annual General Meeting of the Company and respond to shareholders' questions about the activities and responsibilities thereof.

## **Chapter V Rules for Procedure**

**Article 14** Meetings of the Audit Committee are divided into regular meetings and special meetings.

Regular meetings of the Audit Committee shall be held at least twice a year and shall be no later than the regular meeting of the Board, so as to discuss any comments and proposals to be presented to the Board. The Company's interim and annual financial statements shall be reviewed and discussed at the twice-a-year meetings of the Audit Committee.

The Chair of the Audit Committee may convene a special meeting in its sole discretion or at the request of the independent auditor or the internal auditor; a special meeting may be held at the proposal of more than half committee members or the Chairman.

**Article 15** The Chair of the Audit Committee calls a meeting of the Committee and signs a notice of the meeting, and the notice and materials of the meeting shall be delivered to all members three days prior to the meeting. The prior notice may be waived by unanimity of all members.

**Article 16** The Chair of the Audit Committee presides over the Committee meeting and may, if unable to attend the meeting, commission an independent non-executive director to preside over the meeting. A special meeting may be held without the above notice.

**Article 17** The meeting shall be attended by more than two-thirds of the members, one of whom must be an independent non-executive director; a member who is unable to attend the meeting may authorize another member in writing to attend and vote on his or her behalf; and the letter of authorization shall specify the name of the proxy, the authorized matter, the scope of the authorization and the period of validity and shall be signed or sealed by the principal and submitted to the host of the meeting no later than the time before voting at the meeting.

Resolutions made at the meeting shall be passed by a majority of the Committee and the resolutions or opinions shall be signed by the Committee members in attendance. Each member is entitled to one vote, which may be cast for "Yes", "No", or "Abstention"; when the "Yes" votes equal the "No" votes, the Committee Chair is entitled to one extra vote.

**Article 18** The Audit Committee meeting may be convened on site or by telephone, video, circulation of documents, fax, mail or any other appropriate means.

**Article 19** Head of the audit department may, and, if necessary, the Company's directors, supervisors, and senior management may be invited to, attend the Audit Committee meeting, provided that attendees who are not members of the Committee have no right to vote on any motions.

**Article 20** The Company shall offer the Audit Committee sufficient resources to perform its duties. Expenses for the work of the Audit Committee shall be included in the Company’s budget. Where necessary for its performance of duties, the Audit Committee shall have the right to hire lawyers, certified public accountants, practicing auditors, and other professionals to provide expert opinions on its decision making, and the Company shall bear the reasonable costs incurred thereby.

**Article 21** The procedures for convening Committee meetings, the voting methods and the proposals or motions passed at the meetings shall comply with laws, regulations, the *Articles of Association*, the *Listing Rules* and the Terms of Reference.

**Article 22** Minutes of a Committee meeting shall be taken in detail and in full and the members present shall sign the minutes; the minutes of the meeting shall be properly kept by the Secretary to the Board and shall be retained for at least ten years during the existence of the Company. Within a reasonable period of time after each Committee meeting ends, the initial draft, for soliciting the members’ opinions, and the final draft, for record keeping, of the meeting minutes shall be sent to all Committee members. After being signed by the Committee members present at the meeting, the meeting minutes shall be circulated among all members of the Board. Any resolutions of the Audit Committee shall become effective after being signed by the members present at the meeting and, once made effective, may not be altered or changed in any way without going through the legal procedures stipulated in laws, regulations, the *Articles of Association* and the Terms of Reference. Any resolutions and voting results passed at a Committee meeting shall be reported to the Board in writing.

**Article 23** Minutes of the Committee meetings shall at least include: date, place and name of convener of the meeting; name of attendees (those who attend as a proxy shall be specified); meeting agenda; summary of the members’ statements; voting methods and results for each resolution matter or proposal; any other matters to be specified and set forth in the meeting minutes.

**Article 24** Committee members present at the meeting and those invited to sit in shall have an obligation of confidentiality on the matters discussed at the meeting and shall not disclose any information concerned at their own discretion except as otherwise required by laws, regulations and/or the regulatory authorities.

## **Chapter VI Supplementary Provisions**

**Article 25** The words “above” and “within” herein shall include the number per se; while the phrase “more than a half” shall exclude the number per se.

**Article 26** The Terms of Reference shall be considered and approved by the Board and shall take effect and be implemented on the date on which the Company’s initial public offering of overseas listed foreign shares (H shares) begins trading on the SEHK. As of the effective date of the Terms of Reference, the original Rules shall automatically become invalid. The Terms of Reference shall be amended and interpreted by the Board of the Company.

**Article 27** Any matters not covered herein shall be governed by applicable laws, regulations, departmental rules, such relevant regulatory rules in the listing location as the *Listing Rules*, and the *Articles of Association* (the “**Laws and Rules**”); Where the Terms of Reference conflict with the Laws and Rules, the latter shall apply. The Terms of Reference shall be amended accordingly with the least delay possible and reported to the Board for consideration and approval.