

GRAND INVESTMENT INTERNATIONAL LTD.

大唐投資國際有限公司*

(the “Company”)

(Incorporated in Bermuda with limited liability)

Terms of Reference of the Audit Committee

1 Membership

- 1.1 The Members and the Chairman of the Audit Committee (the “Committee”) shall be appointed by the Board of Directors (the “Board”).
- 1.2 The Committee must comprise of non-executive directors only. The Committee must also comprise at least three members, with the majority being independent non-executive directors.
- 1.3 At least one of the independent non-executive directors serving as a member of the Committee must possess appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
- 1.4 The Members shall not be a former partner of the Company’s existing auditing firm who had ceased as a partner of that firm or to have any financial interest in that firm, whichever is the later, for a period of less than one (1) year.
- 1.5 The Chairman of the Committee must be an independent non-executive director.

2 Quorum

- 2.1 The quorum of the Audit Committee shall be any two Members.

3 Frequency of Meetings

- 3.1 The Audit Committee shall meet at least twice a year. Additional meetings shall be held as the work of the Committee demands.

4 Proceedings of Meetings

- 4.1 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.

* *For identification purposes only*

- 4.2 Meetings could be held in person, by telephone or by video conference. 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 are capable of hearing each other.
- 4.3 Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the Members present.
- 4.4 A resolution in writing signed by all the Members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

5 Attendance of Meetings

- 5.1 At the invitation of the Audit Committee, the Chairman of the Board and/or the Managing Director, external advisers and other persons may be invited to attend all or part of any meetings.
- 5.2 At least once a year the Committee shall meet with the external auditor without the presence of members of the executive Board and the management of the Company.
- 5.3 Only Members of the Audit Committee are entitled to vote at the meetings.

6 Annual General Meeting

- 6.1 The Chairman of the Audit Committee or another Member of the Audit Committee shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Audit Committee's activities and their responsibilities.

7 Duties

The Audit Committee shall assist the Board to fulfill its duties concerning risk management, internal control and financial and other reporting.

- 7.1 to act as the key representative body for overseeing the Company's relations with the external auditor
- 7.2 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
- 7.3 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 external auditor the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is engaged before the audit commences

- 7.4 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
- 7.5 to monitor the 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
- 7.6 in reviewing these reports (the Company’s annual report and accounts, half-year report and, if prepared for publication, quarterly report) before submission to the Board, the Committee should focus particularly on:
- (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from audit;
 - (d) the going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with the Listing Rules and legal requirements in relation to financial reporting
- 7.7 In regard to 7.5 and 7.6 above:
- (a) members of the Committee should liaise with the Board and senior management of the Company and the Committee must meet, at least twice a year, with the Company’s auditors; and
 - (b) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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
- 7.8 to review the Company’s financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company’s risk management and internal control systems
- 7.9 to discuss the risk management and internal control system 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 and financial reporting function
- 7.10 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

- 7.11 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
- 7.12 to review the Company's financial and accounting policies and practices
- 7.13 to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response
- 7.14 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter
- 7.15 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
- 7.16 to report back to the Board on any of the matters set out above, as well as their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as restriction on disclosure due to regulatory requirements)
- 7.17 to consider other matters, as defined or assigned by the Board from time to time.

8 Reporting Procedures

- 8.1 The Audit Committee shall report to the Board after each meeting.
- 8.2 Full minutes of the meetings of the Committee shall be kept by the secretary of the Committee, who shall send draft and final versions of minutes of meetings and all written resolutions of the Committee to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

9 Authority

- 9.1 The Audit Committee is authorized by the Board to investigate any activity of the Company within its terms of reference.
- 9.2 The Audit Committee is authorized to obtain all the information and explanations which its members consider necessary to fulfill the duties of the Committee. In consultation with the Chairman of the Board, the Committee may obtain independent professional advice to assist the Committee in their work.

- 9.3 The Committee shall report to the Board on any of the following irregularities which come to its attention:
- 9.3.1 suspected frauds and other irregularities
 - 9.3.2 significant weaknesses in internal control and financial and other reporting
 - 9.3.3 non-compliance with policies and procedures of the Company
 - 9.3.4 infringements of the applicable laws, rules and regulations.
- 9.4 The Chairman of the Audit Committee should develop detailed terms of reference for the Audit Committee for approval by the Board and to ensure the effectiveness and efficiency of the Audit Committee.
- 9.5 The Audit Committee is to be provided with sufficient resources to discharge its duties.

Revised and effective on 1 January 2016