

GREENTOWN MANAGEMENT HOLDINGS COMPANY LIMITED

(綠城管理控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9979)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The audit committee (the “**Committee**”) of Greentown Management Holdings Company Limited (the “**Company**”) was established pursuant to a resolution passed by the board of directors of the Company (the “**Board**”) on January 8, 2020. Set out below are the terms of reference (the “**Terms of Reference**”) of the Committee. If there is any inconsistency between the English and the traditional Chinese versions of the Terms of Reference, the English version shall prevail over the traditional Chinese version. These terms of reference shall be made available to the public by including the information on the respective websites of The Stock Exchange of Hong Kong Limited and the Company.

1. PURPOSE

- 1.1 The purpose of the Committee is to assist the Board in establishing formal and transparent arrangements to consider how the Board should apply financial reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company’s auditors and such other matters as the Board determines from time to time.

2. COMPOSITION

- 2.1 The Committee shall comprise of not less than three members consisting of non-executive directors only, a majority of whom must be independent non-executive directors (“**INEDs**”) of the Company. At least one member must be an INED with the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) (as amended from time to time). Members of the Committee shall be appointed by the Board. Where there are only three INEDs as members of the Board, all of them shall be appointed as members of the Committee. The constitution of the Committee shall comply with the requirements of the Listing Rules from time to time.
- 2.2 The Board shall appoint one member of the Committee as the chairman (the “**Chairman**”), who must be an independent non-executive director.
- 2.3 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of one year from the date of his ceasing: (i) to be a partner of the firm; or (ii) to have any financial interest in the firm, whichever is later.

3. MEETINGS

- 3.1 Unless otherwise specified hereunder, the provisions contained in the Company’s articles of association (the “**Articles**”) (as amended from time to time) for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Committee.

- 3.2 Members of the Committee may attend meetings of the Committee either in person or by means of a telephone or tele-conferencing or any other telecommunications or in such other manner as the members may agree, provided that all participants are thereby able to communicate contemporaneously by voice with all other participants and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.
- 3.3 The Committee shall meet at least two times annually, or more frequently if circumstances require.
- 3.4 The Board, any member of the Committee or the external auditors may request a meeting if they consider that one is necessary. Upon receipt of such request, the secretary of the Committee shall convene such a meeting as soon as reasonably practicable and have regard to the convenience of all members with priority given to the INEDs.
- 3.5 Subject to paragraph 3.6 below, the chief financial officer of the Company and at least one representative of each of the internal auditors and the external auditors shall normally attend meetings. Other members of the Board shall also have the right of attendance. Other staff who have specific responsibilities for an area under review may [also] be invited to attend.
- 3.6 The Committee shall meet with the external auditors at least twice a year. The Committee may hold separate private meeting(s) with the external and internal auditors without executive directors present whenever they think fit and appropriate and in any event, at least once a year.
- 3.7 Members of the Committee may be represented at a meeting of the Committee by an alternate appointed by him or her.
- 3.8 The Chairman shall be responsible for leading the Committee, including scheduling meetings, preparing agendas and making regular reports to the Board.
- 3.9 A meeting of the Committee may be convened by any of its members.
- 3.10 A quorum shall be two members of the Committee, both of whom must be INEDs.
- 3.11 Unless otherwise agreed by all the members of the Committee, notice of at least seven days shall be given for a regular meeting of the Committee. For all other meetings of the Committee, reasonable notice shall be given. The Chairman shall determine whether or not a meeting of the Committee is a regular meeting.
- 3.12 The agenda and accompanying supporting papers shall be sent to all members of the Committee and to other attendees as appropriate at least three days before the date of the meeting (or such other period as the members may agree).
- 3.13 Each member shall have one voting right. Subject to the Articles, questions arising at any meeting of the Committee shall be decided by a majority of votes, and in case of an equality of votes, the Chairman shall have a second or casting vote.

- 3.14 The members of the Committee shall appoint a secretary of the Committee (the “**Secretary**”) to take minutes. In the absence of the Secretary, his/her delegate(s) or any person elected by the members present at the meeting of the Committee, shall attend the meeting of the Committee and take minutes. Any such minutes shall be conclusive evidence of any such proceedings if they purport to be signed by the Chairman or the Secretary of the meeting or succeeding meeting.
- 3.15 Full minutes of meeting of the Committee shall be kept by the Secretary or any one of the joint company secretaries of the Company. They shall be open for inspection at any reasonable time on reasonable notice by any director.
- 3.16 Minutes of meetings (both draft and final versions) of the Committee and the record of individual attendance at such meetings shall be prepared by the Secretary which shall be sent to all members of the Committee within a reasonable time after the conclusion of any meeting of the Committee for their comment and records. For the purposes of recording attendance only, the attendance of an alternate of members of the Committee will not be counted as attendance by the relevant member of the Committee himself or herself. The minutes of meetings shall record details of the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Copies of the minutes of meetings of the Committee shall be provided to the Board at its meetings.
- 3.17 Without prejudice to any requirement under the Listing Rules, a resolution in writing signed by all of the members of the Committee (or their respective alternate) shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held and may consist of several documents in like form each signed by one or more of the members of Committee. Such resolution may be signed and circulated by fax or other electronic communications. This provision is without prejudice to any requirement under the Listing Rules for a Board or Committee meeting to be held.

4. ACCESS

- 4.1 The Committee shall have full access to management and may invite members of management or others to attend its meetings.
- 4.2 The Committee is to be provided with sufficient resources to perform its duties, including but not limited to obtaining independent professional advice and assistance from internal or external legal, accounting or other advisors at the expense of the Company if necessary.

5. REPORTING PROCEDURES

- 5.1 The Committee shall evaluate and assess its effectiveness and the adequacy of these Terms of Reference from time to time in light of changes in circumstances and changes in regulatory requirements (e.g. the Listing Rules) in Hong Kong and recommend any proposed changes to the Board.
- 5.2 The Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

6. AUTHORITY

- 6.1 The authorities and responsibilities of the Committee shall include such responsibilities and authorities set out in the relevant code provisions of the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Listing Rules (as amended from time to time).
- 6.2 The Committee is authorized by the Board to investigate any activity within these Terms of Reference. It is authorized to seek any information it requires from any and all employees (including any executive Director) and such persons will be directed to co-operate with any request made by the Committee.
- 6.3 The Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rule and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- 6.4 Where the Board disagrees with the Committee’s view on the selection, appointment, resignation or dismissal of the external auditors, 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.

7. DUTIES

- 7.1 Without prejudice to any requirements under the CG Code, the duties of the Committee shall include the following:
 - (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. In this regard, the Committee may:
 - (i) consider all relationships between the issuer and the audit firm (including non-audit services);
 - (ii) obtain from the audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff;
 - (iii) meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise; and
 - (iv) agree with the board the issuer’s policies on hiring employees or former employees of the external auditors and monitoring the application of these policies. The audit committee should then be in a position to consider whether there has been or appears to be any impairment of the auditor’s judgement or independence for the audit.

The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

- (c) to develop and implement policies on engaging an external auditor to supply non-audit services. For this purpose, an “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 the integrity of the Company’s financial statements, annual reports, accounts, half yearly reports 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 the audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (e) regarding paragraph (d) above:
 - (i) members of the Committee should liaise with the Board and senior 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 report and accounts, and 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, risk management and internal control systems;
- (g) to discuss the 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 programs 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) 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;
- (j) to review the operating, financial and accounting policies and practices of the Company, its subsidiaries and its consolidated affiliated entities;
- (k) 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;
- (l) to ensure that the Board will provide a timely response to the issues raised by external auditor's management letter;
- (m) to report to the Board on the matters in the CG Code;
- (n) 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 and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (o) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (p) to review continuing connected transactions of the Company and ensure compliance with terms approved by shareholders of the Company; and
- (q) to consider such other matters as the Board may from time to time determine.

8. ANNUAL GENERAL MEETING

The Chairman or in his absence, another member of the Committee or failing this, his or her duly appointed delegate, shall attend the annual general meeting (the "AGM") of the Company and be prepared to respond to questions at the AGM on the Committee's work and responsibilities.