

Impression Dahongpao Co., Ltd.
印象大紅袍股份有限公司
TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Chapter 1 General Provisions

Article 1 To enhance the decision-making function of the Board of Directors of Impression Dahongpao Co., Ltd. (hereinafter referred to as the “Company”), conduct post-event audits and professional audits, ensure the effective supervision over the management by of the Board of Directors, and improve the Company’s governance structure, the Terms of Reference are formulated in accordance with the relevant provisions of the “Company Law of the People’s Republic of China” (hereinafter referred to as the “Company Law”), the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” (hereinafter referred to as the “Listing Rules”), Appendix C1 to the Listing Rules (hereinafter referred to as the “Corporate Governance Code”), the regulatory rules of the securities regulatory authorities and stock exchanges where the Company’s shares are listed, including The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Stock Exchange”), as well as the “Articles of Association of Impression Dahongpao Co., Ltd.” (hereinafter referred to as the “Articles of Association”), combined with the actual circumstances of the Company.

Article 2 The Audit Committee and its members shall faithfully perform their duties in accordance with the provisions of the laws, regulations, the Articles of Association and the Terms of Reference.

Chapter 2 Composition of the Audit Committee

Article 3 The Audit Committee is accountable to the Board of Directors, with a minimum of three members, a majority of whom must be Independent Non-executive Directors.

A partner of the Company’s current external audit firm shall not be eligible to serve as a member of the Audit Committee within two years commencing from the later of the date on which he or she ceases to be a partner of such audit firm or the date on which he or she no longer has a financial interest in such external audit firm.

Article 4 Members of the Audit Committee (hereinafter referred to as “Members”) shall be nominated by the Chairman of the Board of Directors, or by one-third or above of all the Directors, or by one-half or above of the Independent Non-executive Directors, and shall be elected by a majority of the Board of Directors. Upon the approval of the proposal for the election of Members, the newly appointed Members shall take office immediately upon the conclusion of the Board meeting.

Article 5 The Audit Committee shall have one convener (i.e., the Chairman of the Committee), who shall be an Independent Non-executive Director. Such Independent Non-executive Director must possess appropriate professional qualifications, or appropriate accounting or relevant financial management expertise as required under the relevant regulatory rules of the securities regulatory authority and stock exchange of the place where the Company’s shares are listed. The Chairman of the Committee shall be elected or dismissed within the Audit Committee and submitted to the Board of Directors for approval.

Article 6 The terms of office of the members of the Audit Committee shall be identical to that of the current Board of Directors, and the members may be re-elected upon expiry of their terms of office. If any member ceases to hold the office of Director of the Company during his or her term of office, or any member who is required to have the status of an Independent Non-executive Director no longer meets the independence requirements as stipulated in the Company Law, the Articles of Association, the Measures for the Administration of Independent Directors of Listed Companies, the Listing Rules and other provisions, such member shall automatically lose his or her qualification as a member of the Audit Committee.

Chapter 3 Duties of the Audit Committee

Article 7 The principal duties of the Audit Committee are as follows:

- (1) To propose the appointment or replacement of the external audit firm, and supervise and evaluate the work of the external audit firm;
- (2) To guide and supervise the internal audit work and its implementation;
- (3) To coordinate communications among the management, the internal audit department (including the relevant department responsible for risk management) as well as other relevant departments and the external audit firm;
- (4) To review the Company’s financial information and its disclosure, and examine the Company’s financial reports and express opinions thereon (including their completeness, accuracy and fairness);

- (5) To examine the Company's accounting policies, financial position, financial reporting procedures and financial controls;
- (6) To focus on material accounting and auditing issues in the Company's financial reports, including material accounting error adjustments, changes in material accounting policies and estimates, matters involving material accounting judgments, and matters leading to the non-standard unqualified audit reports, etc.;
- (7) To supervise the rectification of issues identified in the financial reports;
- (8) To review the Company's financial monitoring, financial policies, risk management as well as internal control systems and mechanisms, and supervise and evaluate their effectiveness;
 - 1. To discuss with the management and evaluate the effectiveness of the financial controls, internal controls as well as risk management systems, so as to ensure that the management has fulfilled its duties to establish effective financial controls, internal controls and risk management systems; the discussion shall cover whether the Company has sufficient resources, and whether the employees engaged in the accounting and financial reporting functions have appropriate qualifications and experience, as well as whether the training courses attended by such employees and the relevant budgets are adequate;
 - 2. To ensure the coordination of the work between the relevant department of the Company responsible for risk management and the external audit firm; also to ensure that the relevant department of the Company responsible for risk management has sufficient resources for operation, appropriate authority and status within the Company, and to review and monitor the effectiveness of the relevant department of the Company responsible for risk management;
 - 3. To review the "Explanatory Letter on Audit" issued by the external audit firm, any major queries raised by the auditors to the management regarding the accounting records, financial accounts or monitoring systems, as well as the responses made by the management;
 - 4. To ensure that the Board of Directors responds in a timely manner to the matters raised in the "Explanatory Letter on Audit" provided by the external auditors to the management.

- (9) To confirm the list of connected persons, and review the Company's material connected transactions as well as material investment activities such as acquisitions and mergers;
- (10) To ensure the coordination of the work between the internal audit function and the external audit firm; also to ensure that the internal audit function has sufficient resources for operation and appropriate status within the Company; and to review and monitor its effectiveness;
- (11) To supervise the prevention of potential improper conduct of the Company's employees in respect of financial reporting, internal controls or other aspects;
- (12) On its own initiative or as assigned by the Board of Directors, to review the key findings of investigations relating to risk management and internal control matters, as well as the management's responses to such findings and the relevant measures adopted;
- (13) To perform other duties as stipulated in provisions such as paragraphs D3.3 and D.3.7 of the Corporate Governance Code set out in Appendix C1 to the Listing Rules (as amended, supplemented or otherwise modified from time to time);
- (14) To exercise other powers and functions delegated by the Board of Directors;
- (15) To report to the Board of Directors on any relevant matters covered above, and to review other matters arranged by the Board of Directors;
- (16) To report to the Board of Directors on matters relating to the provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

The members of the Audit Committee shall hold at least two meetings with the external audit firm each year, with no executive Directors present except those invited by the Audit Committee.

Article 8 The following matters shall be submitted to the Board of Directors for deliberation after being approved by a majority of all members of the Audit Committee:

- (1) The disclosure of financial information in the financial reports and periodic reports, and the internal control assessment report;
- (2) The appointment or dismissal of the accounting firm undertaking the Company's audit business;

- (3) The appointment or dismissal of the Company's chief financial officer;
- (4) The making of changes to accounting policies or accounting estimates, or corrections of material accounting errors, for reasons other than changes in accounting standards;
- (5) Other matters as stipulated by laws, administrative regulations, the provisions of the CSRC, the regulatory rules of the securities regulatory authorities and stock exchanges where the Company's shares are listed including the Stock Exchange and the Securities and Futures Commission of Hong Kong, as well as the Articles of Association.

Article 9 The Audit Committee of the Company is responsible for the selection and appointment of the accounting firm, and for supervising and evaluating the performance of its audit work. The Audit Committee shall faithfully perform the following duties:

- (1) To formulate policies, procedures and relevant internal control systems for the selection and appointment of the accounting firm in accordance with the authority delegated by the Board of Directors;
- (2) To propose the initiation of work relating to the selection, appointment or replacement of the accounting firm;
- (3) To review the selection and appointment documents, determine the evaluation factors and specific scoring criteria, and supervise the selection and appointment process;
- (4) To put forward recommendations on the proposed accounting firm to be selected and appointed, its terms of engagement and the audit fee;
- (5) To evaluate the independence, objectivity and professionalism of the accounting firm acting as the external audit firm, in particular the impact of non-audit services provided by the external audit firm on its independence;
- (6) To supervise and evaluate the audit work of the accounting firm;
- (7) To submit to the Board of Directors a periodic (at least annually) assessment report on the performance of duties of the appointed accounting firm and a report on the performance of the supervision duties of the Audit Committee;

- (8) To be responsible for other matters relating to the selection and appointment of the accounting firm as stipulated by laws and regulations, the Articles of Association and the authority delegated by the Board of Directors.

Article 10 Where necessary, the Audit Committee may engage intermediary institutions to provide professional advice for its decision-making, and the reasonable expenses incurred therefrom shall be borne by the Company.

Article 11 The Audit Committee is accountable to the Board of Directors. Any proposal falling within the scope of the responsibilities of the Audit Committee shall first be considered and approved by the Audit Committee before being submitted to the Board of Directors for deliberation.

Article 12 The Chairman of the Audit Committee shall primarily perform the following duties:

- (1) To convene and preside over the regular meetings of the Audit Committee;
- (2) To convene extraordinary meetings of the Audit Committee under special circumstances;
- (3) To supervise and inspect the implementation of the resolutions of the Audit Committee;
- (4) To perform other duties as delegated by the Board of Directors and the Audit Committee.

Article 13 Should the Chairman of the Audit Committee be unable to perform his or her duties due to any cause, he or she shall entrust another member to exercise his or her powers on his or her behalf.

Chapter 4 Rules of Procedure of the Audit Committee

Article 14 Meetings of the Audit Committee shall be divided into regular meetings and extraordinary meetings. At least one regular meeting shall be held each quarter, and extraordinary meetings shall be held from time to time as required. An extraordinary meeting shall be convened if any of the following circumstances arises:

- (1) Where the Board of Directors deems it necessary;
- (2) Where the Chairman of the Committee deems it necessary;
- (3) Where proposed by two or more members.

Article 15 Meeting notices and meeting materials shall be sent to all members three days prior to the convening of the meeting. The content of the meeting notice shall include the meeting form, time, venue, duration, agenda, date of dispatch of the notice and relevant information, and the notice may be delivered in person, by post, by email or by fax. In case of urgency requiring the convening of a meeting as soon as possible, a meeting notice may be given at any time by telephone or other oral means, provided that the Chairman of the Committee shall make an explanation at the meeting.

Article 16 Upon receipt of the meeting notice, each member shall promptly confirm the same and provide feedback on relevant information (including but not limited to whether he or she will attend the meeting and his or her schedule, etc.) in an appropriate manner.

Article 17 Each member shall attend meetings in person. If a member is unable to attend a meeting in person due to any reason, he or she may entrust another member of the Committee in writing to attend the meeting on his or her behalf. Where a member neither attends a meeting of the Committee nor entrusts a representative to attend, he or she shall be deemed to have waived his or her right to vote at such meeting.

Article 18 Meetings of the Audit Committee shall be presided over by the Chairman of the Committee. If the Chairman of the Committee is unable to preside over the meeting or fails to perform his or her duties, he or she may entrust another member who is an Independent Non-executive Director to preside over the meeting, or a member who is an Independent Non-executive Director may be elected by a majority of the attending members to preside over the meeting.

Article 19 A meeting of the Audit Committee shall only be held if attended by two-thirds or above of the members; each member shall have one vote. Any resolution passed at a meeting must be approved by a majority of all members.

Article 20 Voting at meetings of the Audit Committee shall be conducted by way of recorded vote. On the premise of ensuring that members are able to fully express their views, voting may also be conducted by way of correspondence to pass a resolution, which shall be signed by the participating members.

Article 21 Meetings of the Audit Committee may be convened by appropriate means including in-person meetings, telephone conferences, video conferences, circulation of documents, fax and email.

Article 22 The Secretary of the Board of Directors shall attend meetings of the Audit Committee in a non-voting capacity. Where necessary, other Directors and senior management of the Company or members of the audit working group may be invited to attend the meetings, provided that non-committee members shall have no right to vote on the proposals at the meetings.

Article 23 Where necessary, the Audit Committee may engage intermediary institutions to provide professional advice for its decision-making, and the expenses incurred therefrom shall be borne by the Company.

Article 24 Where a member of the Audit Committee has a direct or indirect interest in the subject matter under discussion at a meeting, such member shall abstain from voting.

Article 25 The convening procedures, voting methods and proposals adopted at the meetings of the Audit Committee must comply with the provisions of the relevant laws, administrative regulations, departmental rules, normative documents, the securities regulatory rules of the places where the Company's shares are listed, the Articles of Association and the Terms of Reference.

Article 26 Minutes shall be taken for each meeting of the Audit Committee, and the members attending the meeting and the minute-taker shall sign the minutes; the minutes shall be filed and kept by the Secretary of the Board of Directors for a retention period of not less than 10 years.

Article 27 The proposals adopted and voting results of the meetings of the Audit Committee shall be submitted to the Board of Directors of the Company in writing.

Article 28 All members attending the meeting and personnel attending the meeting in a non-voting capacity shall be obliged to keep confidential the matters discussed at the meeting and shall not disclose relevant information without authorization.

Chapter 5 Supplementary Provisions

Article 29 Matters not covered in the Terms of Reference shall be handled in accordance with the provisions of laws, administrative regulations, departmental rules, normative documents, the Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchanges of the jurisdictions where the Company's shares are listed as well as the Articles of Association, combined with the actual circumstances of the Company. In the event of any conflict between the Terms of Reference and the provisions of the laws, administrative regulations, departmental rules, normative documents, the Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchanges of the jurisdictions where the Company's shares are listed as well as the Articles of Association issued from time to time, the provisions of the aforesaid laws, administrative regulations, departmental rules, normative documents, the Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchanges of the jurisdictions where the Company's shares are listed as well as the Articles of Association shall prevail.

Article 30 For the purpose of the Terms of Reference, the terms "above", "within" and "not more than" shall include the figure itself; the terms "less than", "beyond", "below", "more than" and "exceeding" shall exclude the figure itself.

Article 31 The Terms of Reference shall be interpreted by the Board of Directors.

Article 32 The Terms of Reference shall be considered and approved by the Board of Directors of the Company and shall take effect on the date on which the H shares issued by the Company are filed with the CSRC and listed and traded on The Stock Exchange of Hong Kong Limited.

Impression Dahongpao Co., Ltd.

Board of Directors