

BEIJING BEIDA JADE BIRD UNIVERSAL SCI-TECH COMPANY LIMITED

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

Objectives

The purpose of Audit Committee (the “Committee”) of the Board of Directors (the “Board”) is to establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company’s auditors.

Constitution

The Board of Beijing Beida Jade Bird Universal Sci-Tech Company Limited (the “Company”) has resolved to establish a Committee of the Board to be known as the Audit Committee.

Membership

The Committee shall be appointed by the Board from amongst the non-executive Directors of the Company and shall consist of not less than three members.

A majority of Committee members should be independent non-executive Directors.

At least one of the Committee members shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.

A former partner of the Company’s existing audit firm should be prohibited from acting as a member of the Committee for a period of 1 year from the date of his/her ceasing:

- (a) to be a partner of the firm; or
- (b) to have any financial interest in the firm,

whichever is the later.

Chairman

The chairman of the Committee (the “Chairman”) shall be selected amongst independent non-executive Directors and shall be appointed by the Board.

Secretary

The Committee may from time to time appoint any person (includes Company Secretary) with appropriate qualification and experiences as the secretary of the Committee (the “Secretary”).

Quorum and Attendance at Meetings

Two members shall constitute a quorum provided that at least one independent non-executive Director shall be present.

The Head of Finance and a representative of the external auditors shall normally attend meetings.

Frequency of meetings

Meetings shall be held not less than twice a year.

The Committee shall meet prior to the finalization of the interim and year end accounts to discuss any issues arising from them.

The external auditors may request a meeting if they consider that one is necessary.

Proceedings of Meetings

Notice of at least seven days should be given of a regular Committee meeting.

An agenda and accompanying meeting papers should be sent in full to all Committee members at least three days before the intended date of Committee meeting.

Questions arising at the meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes, the Chairman shall have a second or casting vote.

Minutes

The Secretary must ensure that full minutes are kept for all meetings.

Draft and final versions of minutes of the Committee meetings shall be sent to all Committee members for their comment and records within a reasonable time after the meeting.

Minutes shall be opened for inspection at any reasonable time on reasonable notice by any Director.

Minutes shall record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed.

Authority

The Committee is authorized by the Board to investigate any activity within its terms of reference.

The Committee should be provided with sufficient resources to perform its duties.

The Committee is authorized by the Board to obtain outside legal or other independent professional advice if it considers this necessary. All such requests shall be processed in accordance with the Company's pre-defined procedures for seeking independent professional advice at the Company's expenses.

The Committee is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee and individual members shall have separate and independent access to the Company's senior management.

Duties

The duties of the Committee shall be:

Relationship with external auditors

- (a) to act as the key representative body for overseeing the Company's relations with external auditors and 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, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor (which 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) to supply non-audit services, and to report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

Review of financial information

(d) to monitor integrity of the Company's financial statements and the annual report and accounts, interim report and quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, focusing particularly on:

- (i) any changes in accounting policies and practices;
- (ii) major judgmental areas;
- (iii) significant adjustments resulting from audit;
- (iv) the going concern assumptions and any qualifications;
- (v) compliance with accounting standards; and
- (vi) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;

(e) Regarding (d) above:-

- (i) members of the Committee should liaise with the Board and Company's senior management and must meet, at least twice a year, with the external auditors; and
- (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the 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 external auditors;

Oversight of financial reporting system, risk management and internal control systems

(f) 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;

(g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective internal control systems;

- (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 Group's financial and accounting policies and practices;
- (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 in the external auditor's management letter;
- (m) to report to the Board on the matters set out in Code on Corporate Governance Practices (Appendix 15 of the GEM Listing Rules) as required by the Stock Exchange;
- (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. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (o) to consider other topics, as defined by the Board.

Annual General Meeting

The Chairman or in his/her absence, another member of the Committee or failing this, his/her duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to answer questions at the Annual General Meeting on the Committee's activities and their responsibilities.

Reporting

The Committee shall report to the Board on a regular basis and address the work and findings of the Committee. The frequency of these reports will vary but, as a minimum, be on an annual basis.

Reports to the Board shall cover, as appropriate, the work and findings of the Committee under the following areas:

- Relationship with external auditors
- Review of financial information
- Oversight of financial reporting system and internal control procedures

The Secretary shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

Publication of the terms of reference of the Committee

The terms of reference of the Committee are posted on the website of the GEM Board and the Company, and will be made available on request.

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