

# CHINESE ESTATES HOLDINGS LIMITED

(the “Company”)

## Terms of Reference of Audit Committee

(Effective on 1st January, 2019)

### (1) MEMBERSHIP

- 1.1 The Audit Committee (the “**Committee**”) is appointed by the board of directors of the Company (the “**Board**”) from amongst the non-executive Directors.
- 1.2 The Committee shall comprise a minimum of three members (the “**Members**”). The majority of the Members shall be independent non-executive Directors (“**INED(s)**”) and at least one INED with 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**”).
- 1.3 A former partner of the existing auditing firm of the Company is prohibited from acting as a member of the Committee for a period of 2 years from the later of (a) the date of the person ceasing to be a partner of the firm; or (b) the date of the person ceasing to have any financial interest in the firm.

### (2) SECRETARY

- 2.1 Company Secretary shall be the secretary of the Committee. In the absence of the Company Secretary at any meetings of the Committee, the Members may select any person to act as the secretary at such meeting.
- 2.2 The Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Committee.

### (3) MEETINGS

- 3.1 The Committee shall meet at least twice each year. A Member, a Director, the Group Financial Controller or the Company's external auditors may request that a meeting be held if they consider it necessary.
- 3.2 Notice of any meetings has to be given at least 7 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 7 days.

- 3.3 The quorum for decisions of the Committee shall be any two Members.
- 3.4 The Committee must be chaired by an INED.
- 3.5 Resolutions of the Committee shall be passed by a majority of votes at a meeting of the Committee which can also be passed by way of unanimous written resolutions. Meetings can be held in person, by telephone or by video conference.
- 3.6 The Company Secretary (or the secretary selected at particular meeting) shall minute the proceedings and resolutions of all meetings of the Committee; draft up the written resolutions for the Committee's approval and keep the records thereof. Draft and final versions of minutes of the Committee meetings shall be circulated to all Members for comment and records within a reasonable period of time after the meeting.
- 3.7 For other procedures concerning the conduct of meetings of the Committee, the relevant provisions contained in the Company's Bye-laws for the conduct of the Board meeting shall be applicable to the meetings of the Committee.

#### **(4) ATTENDANCE**

- 4.1 The Group Financial Controller and the Company Secretary shall normally attend all the meetings of the Committee, unless requested otherwise by the Committee.
- 4.2 At least twice a year, the Committee will meet the Company's external auditors without any senior executives of the Company being present, except by invitation of the Committee.
- 4.3 Only Members are entitled to vote at the meetings.

#### **(5) AUTHORITY**

- 5.1 The Committee is authorised by the Board to investigate any activity within its functions and responsibilities outlined in these terms of reference. It is authorised to seek any information it may require from any employee, Director, agent or advisor and all such persons will be directed to co-operate with any request made by the Committee.
- 5.2 The Committee shall have unrestricted access to the Executive Director(s), other senior executives or employees and the external auditors of Company. The Committee shall also have the right to consult the external auditors without reference to management or to consult the management without reference to the external auditors.

5.3 The Committee is authorised by the Board to seek independent professional advice in appropriate circumstances at the Company's expense to perform his/her duties as a Member. Arrangement to seek independent professional advice could be made through the Company Secretary.

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

## **(6) ROLE AND FUNCTION**

The Committee is responsible for reviewing the Group's corporate governance, financial reporting, risk management and internal control. It plays an advisory role and makes relevant recommendations to the Board.

## **(7) DUTIES**

The duties of the Committee are:

### **7.1 *Relationship with the Company's External Auditors***

7.1.1 to act as the key representative body for overseeing the Company's relations with the external auditors;

7.1.2 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;

7.1.3 to review and monitor the external auditors' independence and objectivity;

7.1.4 to review and monitor the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;

7.1.5 to develop and implement policy on engaging an external auditors to supply non-audit services. For this purpose, "external auditors" 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; and

7.1.6 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

## **7.2 *Review of the Company's financial information***

7.2.1 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports (if applicable), and to review any significant financial reporting judgments contained in them. In reviewing these reports (if applicable) before submission to the Board, the Committee shall 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;

7.2.2 regarding 7.2.1 above:-

- (a) Members should liaise with the Board, senior executives and the Group Financial Controller and the Committee must meet, at least twice a year, with the Company's external auditors; and
- (b) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Group Financial Controller (or other staff responsible for the accounting and financial reporting function), compliance officer (or person occupying the same position), or external auditors;

## **7.3 *Oversight of the Company's financial reporting system, risk management and internal control systems***

7.3.1 to review the Company's financial controls, risk management and internal control systems;

7.3.2 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 programmes and budget of the Company's accounting, internal audit and financial reporting functions;

7.3.3 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;

- 7.3.4 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;
- 7.3.5 to review the Group's financial and accounting policies and practices;
- 7.3.6 to review the external auditors' management letter, any material queries raised by the external auditors to management about accounting records, financial accounts or systems of control and the management's response;
- 7.3.7 to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter; and
- 7.3.8 to review arrangements that 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;

#### **7.4 *Corporate governance functions delegated by the Board***

- 7.4.1 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- 7.4.2 to review and monitor the training and continuous professional development of Directors and senior executives;
- 7.4.3 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- 7.4.4 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- 7.4.5 to review the Company's compliance with the Corporate Governance Code under Appendix 14 to the Listing Rules and disclosure in the corporate governance report;

#### **7.5 *Others***

- 7.5.1 to report on all of the above matters to the Board; and
- 7.5.2 to consider any other matters specifically referred to the Committee by the Board.

**(8) CONFIDENTIALITY**

All Members shall treat and keep all information and documents received or accessible from the Company (including, but not limited to, the reports or minutes of meetings or resolutions of the Committee) in the strictest confidence and shall not directly or indirectly communicate or disclose or divulge (whether in writing or orally or in any other manner) any such information or document to any third party without prior written approval from the Board, save as disclosure is required under the laws and regulations of Hong Kong and/or Bermuda or is necessary to perform or discharge Member's duties.

**(9) PUBLICATION OF THESE TERMS OF REFERENCE**

A copy of the terms of reference is available on the websites of the Company and The Stock Exchange of Hong Kong Limited respectively and will be made available to any person without charge upon request.

Should there be any discrepancy between English and Chinese versions, the English version shall prevail.