



## MODERN LAND (CHINA) CO., LIMITED

當代置業（中國）有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 1107)

(the “Company”)

### AUDIT COMMITTEE – TERMS OF REFERENCE

In compliance with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), an audit committee (the “**Committee**”) was established with these terms of reference adopted by the board of directors (the “**Board**”) of the Company on 14 June 2013 and amended on 18 November 2015, and further amended on 12 June 2018.

#### 1. Members

- 1.1 The Committee shall be established by the Board and should comprise not less than three members.
- 1.2 The Committee should comprise non-executive directors only. The majority of Committee members must be independent non-executive directors, and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.
- 1.3 The Committee must be chaired by an independent non-executive director and appointed by the Board.
- 1.4 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of one year commencing 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.
- 1.5 The term of appointment of Committee members shall be determined by the Board at the appointment date; the term of each member should not exceed three years; members shall be eligible for re-election.

#### 2. Secretary

- 2.1 The company secretary shall act as the secretary of the Committee.
- 2.2 The Committee may from time to time appoint any other person with appropriate qualification and experience to act as the secretary of the Committee.

### **3. Meetings**

- 3.1 The quorum for a Committee meeting shall be two members, one of whom must be an independent non-executive director.
- 3.2 The Committee shall meet at least twice a year. The external auditors of the Company may request a meeting if should they consider necessary.
- 3.3 The Committee shall attend meetings at least once a year with the external auditors without presence of executive directors (unless otherwise invited by the Committee).
- 3.4 Meetings can be attended in person or via electronic means including telephonic or videoconferencing.
- 3.5 Resolutions of the Committee should be passed by more than half of the members.
- 3.6 Resolutions in writing signed by all the members of the Committee shall be as valid and effectual as it had been passed at a meeting of the Committee duly convened and held.
- 3.7 Full minutes of the Committee meetings should be kept by a duly appointed secretary of the meetings. Draft and final versions of minutes of meetings of the Committee should be sent to all members of the Committee for their comment and record respectively within a reasonable time after the meeting is held.

### **4. Meeting Attendance**

- 4.1 Upon invitation by the Committee, the following persons may attend the meetings: (i) Head of internal audit or (if absence) the representative of internal audit; (ii) Group financial controller (or equivalent); and (iii) the other Board members.
- 4.2 Only the members of Committee can vote in a meeting.

### **5. Annual General Meetings**

- 5.1 The chairman or chairlady of the Committee or (if absent) one other member of the Committee (must be an independent non-executive director) should attend the annual general meetings of the Company and handle the shareholders' enquiry on the activities and responsibilities relating to the Committee.

### **6. Duties and Powers**

The Committee is responsible for reviewing and monitoring the financial reporting, risk management and internal control principles of the Company, and assisting the Board to fulfill its responsibility over the audit. The Committee's duties and powers shall include:

## 6.1 Relationship with the Company's external auditors

- 6.1.1 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 issue related to its resignation or dismissal;
- 6.1.2 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 external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 6.1.3 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;
- 6.1.4 external auditor should report and make recommendations to the Board regarding the impact of changes in significant accounting policies as applied on development direction of the Company; and
- 6.1.5 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

## 6.2 Review of the Company's financial information

- 6.2.1 to monitor the integrity of the Company's financial statements, annual report and accounts, half-yearly report and, if prepared for publication, quarterly report, 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:
  - (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; and

6.2.2 Regarding paragraph 6.2.1 above:

- (a) 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 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 Company's staff responsible for the accounting and financial reporting function, compliance officer and auditors;

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

- 6.3.1 to review the Company's financial controls, and unless expressly addressed by a separate risk committee of the Board, or by the Board itself, to review the Company's risk management and internal control system;
- 6.3.2 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;
- 6.3.3 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 such findings;
- 6.3.4 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 issuer, and to review and monitor its effectiveness;
- 6.3.5 to review the group's financial and accounting policies and practices;
- 6.3.6 to review the external auditors' management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of risk management and internal control and management's response;
- 6.3.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.3.8 to act as the key representative body for overseeing the Company's relationship with the external auditor;
- 6.3.9 to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, 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;

- 6.3.10 to report to the Board on the matters in the code provision under Appendix 14 to the Listing Rules;
  - 6.3.11 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; and
  - 6.3.12 establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns in confidence, with the Committee about possible improprieties in any matter related to the Company.
- 6.4 Performing the Company's corporate governance functions
- 6.4.1 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
  - 6.4.2 to review and monitor the training and continuous professional development of directors and senior management of the Company;
  - 6.4.3 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
  - 6.4.4 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the directors; and
  - 6.4.5 to review the Company's compliance with the code and disclosures in the Corporate Governance Report.

## **7. Reporting**

- 7.1 The Committee shall report to the Board after each of its meetings.

## **8. authority**

- 8.1 The Board should authorise the Committee to inspect all accounts, reports, and records of the Company.
- 8.2 In order to fulfill its duties, the Committee is eligible to request the management of the Company to provide information relating to the financial status of the Company, its subsidiaries and associates.
- 8.3 The Committee should have access to independent professional advice at the Company's expense if necessary, to perform the responsibilities of the Committee.

*Remark: Arrangements on seeking independent professional advice can be made through company secretary.*

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

*Remark: "Senior management" refers to the persons referred to in the Company's prospectus or the interim/ annual report of the Company (whichever is the latest) as senior management of the Company. It is the responsibility of the directors of the Company to determine which individual or individuals constitute senior management. Senior management may include directors of subsidiaries, heads of divisions, departments or other operating units within the group as, in the opinion of the Company's directors, is appropriate.*

## **9. Company Information**

9.1 The Committee should make available these terms of reference, explaining its role and the authority delegated to it by the Board by including them on the websites of the Stock Exchange and the Company.