



## Ground Properties Company Limited

### 廣澤地產有限公司

(the “Company”)

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 989)**

### **AUDIT COMMITTEE TERMS OF REFERENCE**

Pursuant to the approval of the board (the “Board”) of directors (the “Directors”) of the Company on 3 March 2016, the Terms of reference to the Audit Committee of the Company established on 26 September 1996 (the “Committee”) are amended, as set out below, with effect from 1 April 2016 in compliance with the revised Corporate Governance Code (the “CG Code”) under the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

#### **Membership**

1. The members of the Committee shall be appointed by the Board from amongst the Non-executive Directors from time to time and shall consist of a minimum of three (3) members;
2. Majority of members of the Committee should be Independent Non-executive Directors, at least one (1) of whom shall have appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules;
3. The Chairman of the Committee shall be appointed by the Board and should be an Independent Non-executive Director; and
4. 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 (1) year from the date of his ceasing (a) to be a partner; or (b) to have any financial interest in the firm, whichever is later.

#### **Secretary**

5. The Company Secretary or any person assigned by the Chairman of the Committee shall be the secretary of the Committee.

### **Attendance at meetings**

6. The Chairman of the Board, the head of Finance and Accounting Department, the head of Internal Audit (if any), or any other person(s) occupying such position(s), and, where appropriate, representative(s) of the external auditor shall attend meetings. Other members of the Board or any other person it deems appropriate may also be invited by the Committee to attend the meetings; and
7. The Committee shall meet with external and internal auditors (if any) at least twice (2) a year, with at least once (1) without other executive Board members present.

### **Frequency of meetings**

8. Meetings shall be held not less than twice (2) a year and at such other times as the Chairman of the Committee shall require or as any member of the Committee may request; and
9. The external auditor may request a meeting if they consider that one is necessary.

### **Procedures of meetings**

10. Notice of meeting shall be given at least fourteen (14) days prior to such meeting to be held, unless all members of the Committee unanimously agree to waive such notice;
11. The quorum necessary for the transaction of the business of the Committee shall be two (2);
12. The members of the Committee may participate in any meetings either in person or by means of a conference telephone or other electronic means of communications;
13. The meeting shall be chaired by the Chairman of the Committee, or in his absence, the members in attendance may appoint a chairman for the meeting;
14. The secretary of the Committee shall record the minutes of the meeting of the Committee in sufficient details the matters considered by the Committee and decisions reached and any concerns raised by any members including dissenting views. Draft and final versions of the minutes of the meetings should be circulated to all members of the Committee for comment and records within a reasonable time after the meetings;
15. Written resolutions signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held;
16. Minutes of the meetings and written resolutions of the Committee shall be kept by the secretary of the Committee and such minutes and written resolutions shall

be open for inspection at any reasonable time on reasonable notice by any member of the Committee or any Director; and

17. Unless otherwise provided herein, the meetings and proceedings of the Committee shall be governed by the provisions of the Company's Bye-laws for regulating the meetings and proceedings of the Board.

### **Annual General Meeting**

18. The Chairman of the Committee, or in his absence, another member of the Committee as invited by the Chairman of the Board, or failing this his duly appointed delegate, shall attend the Company's annual general meeting and be prepared to answer questions of the shareholders on the Committee's activities thereat.

### **Authority**

19. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from the management and the management is directed to co-operate with any request made by the Committee;
20. The Committee is authorised by the Board, at the reasonable expense of the Company, to obtain outside legal or other independent professional advice to perform its responsibilities and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
21. The Committee shall be provided with sufficient resources to perform its duties.

### **Duties**

22. The Committee shall have the following duties:

#### *Relationship with the Company's external auditors*

- (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. The Committee should discuss with the external 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 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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- (d) to act as the key representative body for overseeing the Company's relations with the external auditor;

*Review of the Company's financial information*

- (e) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements 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 judgment 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 Listing Rules and legal requirements in relation to financial reporting;

- (f) Regarding (e) 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 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 (or person occupying the same position) or auditors;

- (g) to discuss any matters arising from the interim and final audits raised by the external auditor who may wish to discuss (in the absence of management of the Company where necessary);

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

- (h) to review the Company's financial controls, risk management and internal control systems;
- (i) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an 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 function;
- (j) 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;
- (k) to review the findings of internal investigation and management's response into any suspected frauds or irregularities or failure of internal controls or infringements of laws, rules and regulations;
- (l) 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;
- (m) to review the Group's financial and accounting policies and practices;
- (n) 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;
- (o) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (p) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in the 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;
- (q) to ensure that the Company's practices and procedures with respect to related party transactions are adequate for compliance with the requirements under the Listing Rules or other applicable rules;
- (r) to report to the Board the matters in the code provision C.3.3 of the CG Code; and
- (s) to consider other topics, as defined by the Board.

### **Reporting Responsibilities**

23. The Committee shall report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).

### **Amendment**

24. Any amendment to these terms of reference must be approved by the Board.

### **Publication of Terms of Reference**

25. The Committee shall make available its terms of reference on the Stock Exchange's website and the Company's website.