

# **CHINA MERCHANTS LAND LIMITED**

招商局置地有限公司

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

("the Company")

Website: <http://ir.cmland.hk>

(Stock Code: 0978)

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

These revised terms of reference were approved and adopted by the resolutions of the board of directors of the Company (the "Board") in the meeting held in November 2015 to take effect from 1 January 2016.

### **1. Membership**

- 1.1 Members of the Audit Committee shall be appointed by the board of directors (the "Board").
- 1.2 The Audit Committee must consist of a minimum of three members, all of whom must be non-executive directors.
- 1.3 The majority of the members of the Audit Committee must be independent non-executive directors ("INEDs") and at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise.
- 1.4 A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of 1 year commencing on the date of his ceasing;
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,whichever is later.

## **2 Chairman**

- 2.1 The chairman of the Audit Committee shall be appointed by the Board and must be an INED.

## **3 Secretary**

- 3.1 The company secretary of the Company shall be the secretary of the Audit Committee.
- 3.2 In the absence of the secretary of the Audit Committee, the members present at the meeting of the Audit Committee shall elect another person as secretary.

## **4 Quorum**

- 4.1 The quorum for meetings of the Audit Committee shall be any two members.
- 4.2 A duly convened meeting of the Audit Committee at which a quorum is present at the time when the meeting proceeds to business and continues to be present until the conclusion of the meeting, shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.

## **5 Frequency of meetings**

- 5.1 The Audit Committee shall hold at least two regular meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings of the Audit Committee shall be held as and when required.
- 5.2 The Audit Committee shall meet with the external auditors when requested if they consider that one is necessary. Such meeting(s) may or may not coincide with the private meetings as mentioned in clause 6.2 below.

## **6 Attendance at meetings**

- 6.1 Members of the Audit Committee may attend meetings of the Audit Committee either in person or through other electronic means of communication.
- 6.2 The chief financial officer (finance director) and the head of internal audit, and a representative(s) of the external auditors shall normally attend meetings along with the members of the Audit Committee. However, at least twice a year the Audit Committee shall meet with the external and internal auditors without executive Board members present.
- 6.3 The secretary of the Audit Committee (or his/her delegate) shall attend all meetings of the Audit Committee to ensure proper policy and procedures are followed and to take minutes.

## **7 Notice of meetings**

- 7.1 A meeting of the Audit Committee may be convened by any of its members, or by the secretary of the Audit Committee at the request of any of its members or at the request of the external auditors.
- 7.2 Unless otherwise agreed by all the members of the Audit Committee, notice of at least 14 days shall be given of a regular meeting of the Audit Committee, and such notice shall be sent to each member of the Audit Committee, and to any other person invited to attend. For all other meetings of the Audit Committee, reasonable notice shall be given.
- 7.3 In respect of regular Audit Committee meetings, and so far as practicable in all other cases, an agenda and accompanying supporting papers shall be sent to all members of the Audit Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as agreed).
- 7.4 Any member of the Audit Committee shall be entitled, by reasonable notice to the secretary of the Audit Committee, to include other matters relevant to the functions of the Audit Committee in the agenda of an Audit Committee meeting.

## **8. Minutes of meetings**

- 8.1 The secretary of the Audit Committee (or his/her delegate) in attendance at the meetings of the Audit Committee shall minute in sufficient detail the matters considered and decisions reached at such meetings. The minutes shall also include any concerns raised by any member of the Audit Committee and/or dissenting views expressed.
- 8.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The relevant member of the Audit Committee shall not be counted towards the quorum and he must abstain from voting on any resolution of the Audit Committee in which he or any of his associates has a material interest, unless the exceptions set out in note 1 to Appendix 3 of the Listing Rules apply.
- 8.3 Draft and final versions of minutes of Audit Committee meetings shall be sent to all Audit Committee members for their comment and records respectively, in both cases within a reasonable time after the meeting. Once the minutes are signed, the secretary shall circulate the minutes and reports of the Audit Committee to all members of the Board.
- 8.4 Minutes of the Audit Committee shall be kept by the secretary of the Audit Committee and shall be available for inspection by any member of the Audit Committee or the Board at any reasonable time on reasonable notice.

## **9 Annual general meeting**

- 9.1 The chairman of the Audit Committee or in his absence, another member of the Audit Committee or failing this, his 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 Audit Committee's activities and their responsibilities.

## **10 Other regulations governing the meetings and proceedings of the Audit Committee**

- 10.1 Unless otherwise specified above, the provisions contained in the Company's Articles of Association for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Audit Committee.

## **11 Duties**

The duties of the Audit Committee are as follows:-

### **11.1 Relationships with the Company's auditors**

- (a) to be primarily responsible for making recommendation 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 to consider any questions of resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standard;
- (c) to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations;
- (d) to ensure co-ordination where more than one audit firm is involved;
- (e) to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee shall report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

## 11.2 Review of financial information of the Company

- (a) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Audit Committee shall focus particularly on:-
  - (i) any major risks exposed;
  - (ii) any changes in accounting policies and practices;
  - (iii) any major judgmental areas;
  - (iv) any significant adjustments resulting from audit;
  - (v) any significant or unusual items;
  - (vi) any major non-recurrent matters;
  - (vii) any undisclosed estimations and transactions;
  - (viii) any connected transactions;
  - (ix) any management letter from external auditors;
  - (x) the going concern assumptions and any qualifications;
  - (xi) compliance with accounting standards; and
  - (xii) compliance with the Listing Rules and other legal requirements in relation to financial reporting.

- (b) in regard to 11.2(a) above:-
  - (i) members of the Audit Committee must liaise with the Company's Board and senior management; and
  - (ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must 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 auditors;

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

- (a) 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;
- (b) to discuss with the management the systems of risk management and internal control and ensure that management has discharged its duty to have effective systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- (c) to consider any findings of major investigations of risk management and internal control matters as delegated by the Board or on its own initiative and management's response;
- (d) 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 the effectiveness of the internal audit function;

- (e) to review the group's financial and accounting policies and practices;
- (f) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the Board on the matters set out herein and, in particular, the matters required to be performed by the Audit Committee under the Code;
- (i) to act as the key representative body for overseeing the Company's relation with the external auditor;
- (j) to discuss problems and reservations arising from the interim and final audits and any matters the auditor may wish to discuss (in the absence of the management where necessary); and
- (k) to consider other topics as defined by the Board;

#### 11.4 Whistle-blowing handling

To review arrangements which employees of the Company can, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for the fair and independent investigation of these matters and for appropriate follow-up action;

#### 11.5 Independence of external auditors

- (a) to consider all relationships between the Company and the audit firm (including the provision of non-audit services);
- (b) to seek from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements,



including current requirements regarding rotation of audit partners and staff;

- (c) to meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise;
- (d) to agree with the Board the Company's policies relating to the hiring of employees or former employees of the external auditor and monitor the application of such policies. The Audit Committee shall then be in a position to consider whether in the light of this there has been any impairment or appearance of impairment, of the auditor's judgment or independence in respect of the audit;
- (e) to ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the Audit Committee may wish to consider:-
  - (i) whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services;
  - (ii) whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
  - (iii) the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm; and
  - (iv) the criteria which govern the compensation of the individuals performing the audit.

## **12 Reporting responsibilities**

- 12.1 Where the Board disagrees with the Audit Committee's views on the selection, appointment, resignation or dismissal of the external

auditors, the Audit Committee shall prepare a statement, for inclusion in the Company's Corporate Governance Report, explaining its recommendations. The Board shall include in the same report the reason(s) why the Board has taken a different view.

- 12.2 The Audit Committee shall compile a report to shareholders on its role and work performed by it during the year in discharging its responsibilities in its review of the quarterly (if relevant), half-yearly and annual results and system of internal control, and its other duties set out in the Code, for inclusion in the Company's Corporate Governance Report.

- 12.3 The Audit Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.

### **13 Others**

- 13.1 The Audit Committee shall be provided with sufficient resources to discharge its duties.

- 13.2 All members of the Audit Committee shall have access to the advice and services of the secretary of the Audit Committee with a view to ensuring that procedures of the Audit Committee and all applicable rules and regulations are followed.

- 13.3 In the event that the Audit Committee or any member of the Audit Committee requires access to outside independent professional advice in connection with its/his duties, a request may be made to the Board through the company secretary. All such requests shall be processed in accordance with the Company's pre-defined procedures for seeking independent professional advice at the Company's expense.

- 13.4 Every member of the Audit Committee shall ensure that he can give sufficient time and attention to his duties as a member of the Audit Committee. He shall give the Company the benefit of his skills and expertise through regular attendance and active participation.

## **14 Authority**

- 14.1 The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it reasonably requires from any employee and all employees are directed to co-operate with any reasonable request made by the Audit Committee.
- 14.2 The Audit Committee and each of its members shall have separate and independent access to the Company's senior management.

## **15 Publication of the terms of reference of the Audit Committee**

- 15.1 The terms of reference of the Audit Committee will be posted on the website of the Company and that of the Stock Exchange of Hong Kong Limited.